

سكنا من الاجل

FINANCIAL TIMES

Start the week with...



Italy Prodi: 100 days and no crisis Page 18



Management Counting the cost of Emu Page 10



Business Travel Hidden dangers of stress Page 12

Brussels warns German carmaker not to spend aid

German carmaker Volkswagen risks being barred from competing for public contracts if it spends nearly DM1.5bn of disputed subsidies from the German state of Saxony. The warning by European Union competition commissioner Karel Van Miert is the toughest yet in the row over Saxony's plans to subsidise VW investment in the state to the tune of DM750m. Page 18

Russians try to boost Chechen trade

Two Russian soldiers carry water on the outskirts of the Chechen capital, Grozny, where a fragile ceasefire held overnight. Russian and Chechen negotiators worked over the weekend to reinforce the truce and a truce also seemed to be holding among Russia's politicians. Page 16

Two Russian soldiers carry water on the outskirts of the Chechen capital, Grozny, where a fragile ceasefire held overnight. Russian and Chechen negotiators worked over the weekend to reinforce the truce and a truce also seemed to be holding among Russia's politicians. Page 16

Hines buys malls in Europe: Texas-based property company Hines has bought seven shopping centres in Europe - including the continent's biggest covered mall - from French insurer Macif. Hines is paying FF1.5bn (\$267m) for 50 per cent of the centres, with an option to take full control. Page 17

China hits at US: The US is using the pretext of terrorism to dictate policy with its laws on foreign oil companies investing in Iraq and Libya, China said. Beijing accused Washington of "overweighting arrogance". Page 8

Many dead in Pakistan attacks: Fifteen people were killed and almost 70 injured when gunmen attacked a Shiite mosque religious meeting in a village in Pakistan's Fatah province, a spokesman for a Shiite party said.

Campaign aircraft crashes: Nine people were feared dead after a presidential support aircraft crashed in Wyoming soon after taking off for President Bill Clinton's birthday party in New York City. Page 4

Microsoft admits software bugs: US software giant Microsoft has admitted there is a bug in the latest version of its Internet Explorer Web browser. The problem comes in Microsoft and California-based Netscape Communications fight for control of the browser market. Page 19

Lebanese election: Candidates for the 1996 election of Lebanon's parliament got under way in Lebanon's Christian heartland. One man was fatally injured in a brawl at a polling station.

Students surrounded: Police ringed two Beirut schools surrounded by rioters in an attempt to force an end to the five-day occupation.

Police search for more children: Belgian police searched for the remains of more missing children, widening their investigation into a child sex scandal after the man who led them to three bodies admitted kidnapping at least two other girls.

British killed in Honduras: A young British man found murdered on a remote road in Honduras was probably shot during a robbery, said police.

Intelligence suits testing: Intelscope of the UK is to sell its Testing Services business to a consortium led by two financial institutions, Citicorp and Bankers Trust. The sale - worth some \$200m (\$28.8m) - is part of a streamlining programme. Page 17

European Monetary System: The French franc remains bottom of the EMS grid, while the Spanish peseta rose last week to the top. This week may see more movement if the Bundesbank council meeting on Thursday cuts German interest rates. Currents, Page 23



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move at a 2.25 per cent band.

FT.com: The FT web site provides online news, comment and analysis at <http://www.ft.com>

Table with 2 columns: Country, Currency, and Exchange Rate.

Kohl seeks to calm tax fears

Chancellor insists Germans will pay less after reforms

By Peter Norman in Bonn
The German government yesterday made clear that wide-ranging tax reform, planned for 1998, should involve a significant reduction in the overall tax burden and that it will not raise value added tax to increase revenues.

volume of DM50bn (\$54bn) was not to add to the tax burden and that a VAT increase, if it came at all, would not be before 1999. Mr Waigel said a VAT rise could only come "at the end of a comprehensive tax reform" and only if the revenue lost through lower income tax

months of waiting that the government had any such plans, was a significant political turnaround - even though he had never ruled out the possibility after the next German general election in the autumn of 1998.

Yesterday there were signs that the issue of tax reform would continue to be controversial.

Mr Wolfgang Gerhardt, leader of the junior Free Democrat party in Mr Kohl's coalition, said his party would press for "a first stage" of tax reform in 1998 "as a signal" ahead of the election.

King Hussein promises 'iron-fist' response and sends in elite troops

Jordan riots spread after bread price rise

By David Gardner, Middle East Editor, in Jerusalem
King Hussein of Jordan has sent elite units of his army to regain control of the southern city of Karak and has suspended parliament after three days of rioting in south Jordan against bread price rises agreed under an International Monetary Fund recovery programme.

Facing the biggest challenge to his regime since riots in 1989 against IMF-agreed fuel price rises, the king vowed "to hit with an iron fist any kind of any dissident person and anyone who challenges security and threatens dissent".

with the peace treaty the king reached with Israel in 1994. This opposition has intensified following the election in May of a rightwing government in Israel under Mr Benjamin Netanyahu, which has ruled out a Palestinian state on the West Bank and said it will not surrender conquered Arab land in exchange for a comprehensive peace.

After the 1989 riots, the King restored parliament, dissolved in 1987 after pan-Arab nationalist agitation. The fundamentalist Islamic Action Front - the Jordanian arm of the pan-

Islamic Muslim Brotherhood - became the biggest party, with 34 of the 80 seats. Its presence was reduced to 18 in favour of



King Hussein, on arriving in the riot-torn Jordanian town of Karak, shakes hands with one of the soldiers sent there at the weekend to restore order

Cash seized at home of Indian ministry official

By Shree Mishra in New Delhi
A senior finance official in the Indian telecommunications ministry was arrested on Saturday after a raid by police at his residence that yielded more than \$400,000 (\$6.1m), 20 expensive watches and more than 1kg of gold jewellery.

The raid came only a day after \$400,000 in cash was seized from two homes of Mr Sukh Ram, a former communications minister. Officials said Mr Ram (58), the official arrested on Saturday, had been a close associate of Mr Ram when he headed the ministry in the Congress government of Mr P. V. Narasimha Rao which was ousted in general elections earlier this year.

The haul at Mr Ram's home was the largest seizure of cash ever made by police in India from the home of a politician. Twenty Central Bureau of Investigation investigators spent more than 24 hours counting the bundles of cash which had been stored in poly-

FOR CLEARER VISION GO STRAIGHT TO THE TOP Corporate Money Top 20 Venture Capitalists by deal value (1996 year to date)

VENTURE CAPITALISTS	DEAL VALUE \$M	NO. OF DEALS
1 Cinven	879.60	9
2 Apex Partners	497.50	4
3 NatWest Ventures	406.45	15
4 Mercury Asset Management	369.30	3
5 CVC Capital Partners	362.60	40
6 3i Group	314.65	3
7 Morgan Grenfell DC	307.00	1
8 Kohlberg Kravis Roberts	305.00	1
9 Charterhouse DC	231.00	3
10 Prudential Ventures	221.60	5
11 BZW Private Equity	208.50	2
12 HSCB Private Equity	201.50	3
13 Schroder Ventures	196.00	10
14 Morgan Johnstone PE	134.98	6
	55.48	

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CONTENTS Table listing various sections and their page numbers.

NEWS: INTERNATIONAL

Bonn presses Paris on military projects

By David Owen in Paris

Mr Volker Rühe, Germany's defence minister, yesterday stepped up pressure on France for a swift resolution of the two countries' differences over several military equipment projects.

Speaking before a meeting in eastern France with Mr Charles Millon, his French opposite number, Mr Rühe said a solution to the problems needed to be found by the end of this year.

He said that the two countries would take stock of their co-operation on a number of equipment programmes - ranging from the Tiger attack helicopter to the Helios reconnaissance satellite - at the next regular Franco-German summit. This would take place in Germany on December 9.

Tensions over military co-operation between the two countries appeared to be heightened last month, first by the German defence ministry's suggestion that a number of joint weapons projects would have to be reviewed in the

light of smaller defence budgets in both countries, then by France's announcement of a reduction of its military personnel in Germany.

From Bonn's viewpoint, it is the Tiger that is thought to present the most difficulties. It wants an agreement on the manufacture of the NH90 transport helicopter to guarantee army mobility.

Yesterday's talks - described as "friendly" by the French defence ministry - began over lunch in a country inn near Bellef, the small town east of Lyons of which Mr

Millon is mayor. Bosnia and Nato were also on the agenda.

Mr Rühe said he was "sad" at the proposed French troop withdrawals and hoped the "intimacy" created by the presence of French soldiers in Germany would be preserved in the Franco-German brigade that is part of the Eurocorps.

Paris has indicated it will leave only 3,000 French troops in Germany by the end of 1998, down from about 20,000 at present. The cuts stem from President Jacques Chirac's decision earlier this year

to end nearly a century of military conscription and to peg defence spending for 1997-2002 at an annual FF185bn (\$65.2bn).

Mr Millon said France would "move ahead on these decisions in a gradual manner so there will be no unmanageable repercussions in the field". He said Paris would carry out its military reform plans in close co-operation with its neighbour. "Mr Rühe is disappointed by the departure of some regiments but he understands the reforms," he said.

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Survey shows optimism on Emu

By Gillian Tett, Economics Correspondent

Growing confidence in European monetary union is demonstrated today by a survey that shows four fifths of European Union economists now expect it to begin in 1999 as scheduled.

The report - collected by the UK group Consensus Economics early last week - found that over 80 per cent of EU economists still expect Emu to proceed and none of the 75 economists surveyed forecast that the project would be abandoned.

Back in January only 57 per cent of the same panel expected it to go ahead, while 33 per cent predicted it would be abandoned.

The survey is striking, given the recent turmoil in the financial markets. In the last two weeks the French franc has been weakened by rumours that France will face severe difficulties in meeting the budget deficit criterion for Emu.

The main reason for the increased optimism is a growing belief that Maastricht Emu criteria will be interpreted flexibly. The consensus forecast among the economists is that Germany and France will miss the condition that a budget deficit must be no more than 3 per cent of gross domestic product. Germany is also expected to miss the criterion that debt should be no more than 60 per cent of GDP.

The most likely candidates for membership were considered to be Germany, France and the Netherlands, closely followed by Belgium, Austria and Ireland.

Denmark, strikingly, was also considered a possible member, with 42 per cent of economists predicting Emu entry - even though the country has the right to "opt out." A similar proportion of economists thought that Finland would join. But only 13 per cent of economists predicted Swedish participation. Italy's chances of membership were deemed the second lowest in the EU, only marginally higher than Greece.

However, these overall numbers concealed some intriguing national splits. A quarter of Italian economists thought that Italy had a chance of membership, but no German and French economists agreed.

Meanwhile, about a tenth of German and French forecasters thought the UK might be a member, but no UK forecasters predicted this. Seventy per cent of French forecasters expect to see Danish membership, although only 23.5 per cent of UK forecasters predicted this.

UK economists remain the most downbeat about Emu, with only 71.4 per cent predicting that it will go ahead. Nevertheless, this is a sharp increase on the picture six months ago, when only 27.5 per cent were anticipating the project.

Bitter legacy keeps Cyprus split

Anger grows at failure to reunify the island, Kerin Hope writes



Mr Costas Simitis, Greece's prime minister, urged restraint during a visit to Cyprus at the weekend, saying the island could only be reunited by "peaceful means through diplomatic efforts", writes Kerin Hope. Mr Simitis (pictured seated left) with Cypriot president Glafkos Clerides (right) visited the families of two Greek Cypriots killed in clashes last week with Turkish Cypriots. His trip followed one by Mrs Tassou Piller, the Turkish foreign minister, to the Turkish Cypriot sector, where she accused Greek Cypriots of provoking the clashes.

The Greek premier backed the Cypriot president's position that Cyprus should be demilitarised as part of a settlement. However, Mr Simitis pledged military support for the Greek Cypriots if they were attacked.

The most serious intercommunal violence since the invasion.

Mr George Hadjikoostas, who led a group of Greek Cypriot motorists on a ride from Berlin to the buffer zone, to draw international media attention to the division of Cyprus, says: "We decided to demonstrate because biking carries an image of freedom, and we've denied freedom of movement on our own island. I can

ride across America if I want, but not to my family home."

Though unmarked for much of its length, the Green Line is a formidable barrier. Only a few of the 2m foreign tourists hosted every year by the Greek Cypriots make the day trip north from Nicosia, which requires them to return to the UN checkpoint before sunset.

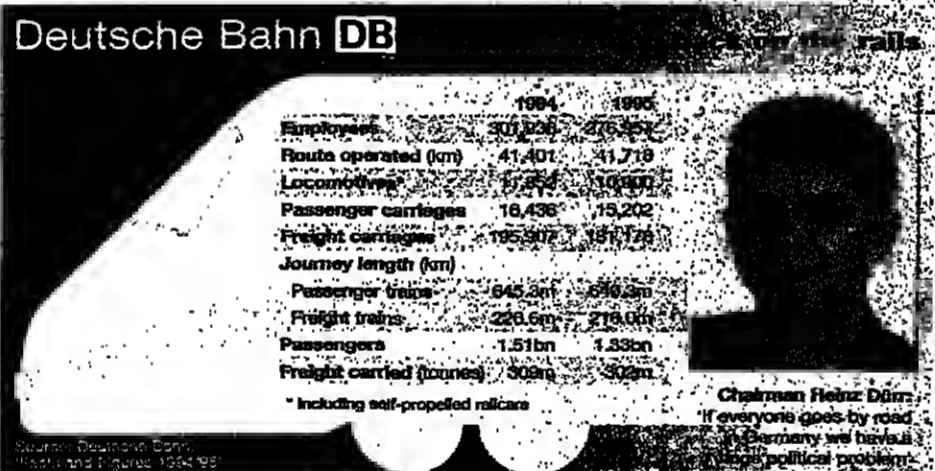
On weekdays, about 6,000 Turkish Cypriots cross the

buffer zone to work at construction sites in the south.

A few Greek Cypriots, mostly parliamentary deputies and officials from non-government organisations, make occasional visits to the Turkish Cypriot sector. Turkish Cypriot officials are usually willing to drive them to their former homes, they say. If not derelict, these are occupied by a Turkish officer's family or sett-

Slow track for German rail sell-off

The primary aim of politicians is to increase use of the railways, reports Charles Batchelor



invested rail system placed a huge additional burden on rail managers.

Meanwhile, considerable sums of public money will continue to be invested in modernising the network, especially in the former East Germany. Total investments in 1995-2000 will be DM77bn (\$28bn).

DB's first two years in the commercial sector have both produced pre-tax surpluses, rising from DM691m in 1994 to DM563m last year for the group as a whole, on turnover up from DM29bn to DM62.5bn.

"No one expected us to be in the black," says Mr Dürr. "We are on the right track. But we can't make high profits because we are still receiving taxpayers' money."

"It might seem no big deal for us to make a profit in view of the large write-offs

and other help we were given, but this was against the background of a sharp decline in our freight business," says Mr Frank Ludwig, director of transport policy. Deregulation of the German haulage industry and the collapse of communism led to an influx of competitive road hauliers from eastern Europe and the railway's freight business, which still accounts for nearly a third of turnover, remains under strong competitive pressure.

As part of its cost-cutting drive DB is reducing staff numbers, down from 645,000 in 1983 to 256,000 now, and putting pressure on equipment suppliers to reduce prices. The average cost of new trains, measured by the cost per seat, is down from DM26,000 to DM16,000.

In the longer term, the

as fast as people wanted."

Interest in running competing trains may be starting to emerge, though. BASF, the chemicals group, recently announced plans to run freight trains on the DB network.

Apart from the economic uncertainties of launching rail services, private operators may be deterred by DB's continued ownership of both infrastructure and competing train services.

The private points out that company operators can complain to the industry's regulator, the Federal Rail Office, or to the Federal Cartel Office if they believe they have been unfairly treated. But these safeguards are no substitute for a complete split of track ownership from train operations.

DB, for its part, is afraid that private operators would "cherry pick" the most profitable services. If private operators began running trains carrying bulk freight, which is profitable, this could force DB to scale down marginal freight activities, currently cross-subsidised, such as piggy-back road trailers on rail wagons.

Privatisation of Germany's railways is still at a very early stage and remains hedged with uncertainties. It continues to enjoy considerable public subsidies but the mechanisms for introducing true competition appear less robust. Greater political consensus on the role and importance of rail allows railway managers a generous timetable to complete the experiment though ultimately it will be judged on its ability to cut subsidies and raise efficiencies.

World drug sales show modest 6% growth rate

By Daniel Green

World drug sales in the first five months of this year were up a modest 6 per cent on a year earlier at \$58.5bn, according to figures published today.

A year ago, sales were growing by 11 per cent; that was the best growth rate for at least two years.

The figures cover pharmaceutical sales in the world's 10 biggest markets, as collected by the specialist market

researcher IMS International.

They show the US as the biggest market with sales increasing by 6 per cent, excluding currency effects, to \$23.5bn.

The fastest growing of the main markets was Italy, with sales up 13 per cent to \$3.8bn. This is partly a recovery from two years of poor or negative growth as a result of government measures to curb the increase in spending on drugs.

Japan was the second biggest market, with sales rising 1 per cent to \$9.6bn. This represents a sharp improvement from the first quarter, when sales were held back by distributors destocking in anticipation of government-mandated price cuts.

Germany, the third biggest market, grew 7 per cent to \$7.1bn, while France grew 6 per cent to \$6.4bn. Both these compare with 8 per cent growth for the first four months of the year.

UK sales grew 11 per cent to \$2.7bn, the same as for the first four months, but compared with 9 per cent for the same period a year ago.

By medical area, anti-infectives, which include both antibiotics and anti-

quarter and a rise of 21 per cent in the first five months of 1995.

Nervous system drugs, which include antidepressants such as Prozac, made by US drugs company Eli Lilly, were the fastest grow-

World pharmacy drug purchases* January-May 1996 \$m

	Japan	Germany	France	Italy	UK	Spain	Canada	Belgium	Netherlands
Alimentary/Motoclinic	3,790	1,914	1,174	897	616	529	359	238	125
Chemical	2,222	1,122	554	794	504	179	276	115	108
Pharmaceutical	1,174	891	317	416	220	85	126	106	41
Biotech	4,360	2,547	1,472	872	765	509	412	277	142
Change %	13	7	7	13	11	10	4	9	6

* Source IMS International

INTERNATIONAL NEWS DIGEST

Philippine bid to end revolt

Mr Nur Misuari, leader of the Philippines' largest Muslim separatist group, is to meet President Fidel Ramos today in a move to be jointly presented as the end of a conflict which has claimed 50,000-100,000 lives.

The meeting, to take place in Mindanao, the Philippines' southernmost island, and home to most of the country's 5m Moslems, paves the way for the signing in Jakarta of a permanent peace deal between Manila and the Moslems at the end of the month.

Described by the Malacanang Palace as an "historic" event, it will be the first meeting between the formerly exiled Mr Misuari and Mr Ramos since he was elected president in 1992.

Germans probe Libyan sales

The German authorities are investigating two companies in the north German town of Minchengladbach that are suspected of illegally supplying Libya with sophisticated computer equipment for use in a plant to produce poison gas and chemical weapons.

The Südwestfunk television channel reported yesterday that the investigation by prosecutors' office, which yesterday was unavailable for comment, has scheduled a press conference to discuss the case later today.

According to Südwestfunk, CSS Semiconductor Equipment and Indicator Datenverarbeitungs Services are being investigated for possible infractions of Germany's foreign trade and arms control laws. The television station reported that two employees of the companies have been arrested and a warrant has been issued for the arrest of a German citizen. In Bonn, the economics ministry said it was aware of the investigation but could not yet comment.

Illegal immigrants eye Spain

Spanish police have intercepted an unprecedented number of North Africans trying to enter the European Union illegally by crossing the Strait of Gibraltar in small boats. Government officials said more than 1,500 had been detained so far this summer, of whom about 800 had already been deported. The migrants, crammed in outdoor-motor dinghies and without identification papers, are mostly male Moroccans.

More than 250 have been picked up by maritime Civil Guard patrols in the past week, including four boatloads with a total of 103 people early on Friday near Tarifa, the closest point to the Moroccan coast. The influx has apparently been augmented by confusion over prospects for obtaining legal status in Spain. The Spanish authorities have given immigrants who have previous residence or work permits until August 23 to legalise their situation, but this does not apply to new arrivals.

Mr Isaias Pérez, head of social affairs in Andalucía's regional government, warned of further migration waves unless the European Union increased economic aid to alleviate conditions in North African countries. The region, he said, "cannot be the guardian of the west, just with defensive policies".

Credit Suisse in job cuts deal

Credit Suisse, the second biggest Swiss banking group, has reached agreement with its staff associations on ways to soften the impact of the 3,500 jobs which will be lost as a result of its restructuring announced last month. CS has accepted the reduction in the number of jobs will be achieved almost entirely without redundancies. Up to 2,100 jobs will disappear as a result of normal staff turnover, and increased use of part-time working, retraining for new jobs, and improved early retirement terms will account for the rest. The proportion of part-time workers will increase from 16 per cent to 20 per cent and Credit Suisse has agreed to maintain the number of traineeships for school leavers and university graduates in 1997-98 at current year levels.

The scale of the job losses at Credit Suisse has caused considerable concern in Switzerland which is struggling to come to terms with a historically high rate of unemployment which shows no sign of falling. The fact that Mr Rainer Güt, Credit Suisse's chairman, led the negotiating team underlines how seriously the bank took the criticism that it was undermining the Swiss economy. The Swiss Bank Employees Association and the Swiss Association of Commercial Employees, who have been negotiating for improved terms, says that Credit Suisse has come up with a solution which is "very progressive by Swiss standards".

China's paper demand soars

China's annual demand for paper is expected to exceed 30m tonnes by 2000, up from the present 25m tonnes, according to the China Packaging News. China's 5,600 paper mills produce 21.3m tonnes of paper and paperboard a year. China imports about 5m tonnes of paper products to cope with booming demand in its packaging and other industries. China ranks third in the world in paper production, but the new consumer era is putting a heavy strain on existing resources. The explosion in newspaper and magazine titles means China is one of the world's leading newspaper importers. China imported 5m tonnes of paper and paperboard in 1995, 800,000 tonnes of pulp and 900,000 tonnes of waste paper.

Russian airmen elude Afghans

Seven Russian airmen held hostage by the Taliban Islamic militia in Afghanistan escaped their captors and have arrived in the United Arab Emirates, a senior Pakistani official said yesterday. Giving the first details of the escape the official said that the seven crew members overpowered their Afghan guards and flew out from Afghanistan's southern town of Kandahar, in the Il-yushin-76 cargo aircraft, arriving in the UAE on Friday.

Pakistani officials said they were still trying to confirm the status of three Afghan gunmen who arrived in the UAE with the Russian airmen. It wasn't clear if the gunmen had defected from the Taliban or were overpowered by the Russians.

The Russian crew was forced to land by a Taliban Mig-19 fighter at Kandahar a year ago while flying with a load of arms and relief supplies from Albania, for the beleaguered government of Mr Burhanuddin Rabbani, the Afghan president.

سكنا من الامل

Beijing condemns US law on sanctions

By Tony Walker in Beijing

China has sharply criticised the US over a new law which threatens sanctions against companies doing business with Iran and Libya, accusing it of dictatorial behaviour.

The US says both countries sponsor international terrorism and have been involved in terrorist acts against American citizens.

The US, the article said in language reminiscent of the cold war period, was guilty of "hegemonical thinking". It was also "practising interventionism to make itself a dictator of international, political and economic affairs".

The commentary also repeated Chinese criticism of Congress's Helms-Burton law which seeks to impose sanctions against "non-American" companies engaging in business with Cuba.

The article said, however, the US had never expected its "serial sanctions" would arouse "serial condemnations... and possibly serial counter-sanctions".

Handshake hides a struggle in Jakarta

Troops guard roads as Megawati meets Suharto, writes Manuela Saragosa

The polite handshake did not hint at the struggle of the past month. Ms Megawati Sukarnoputri was courteous and President Suharto a gracious host when they greeted each other at Independence Day celebrations at Jakarta's neo-classical Istana Merdeka palace at the weekend.



Megawati Sukarnoputri fanning herself at Saturday's Independence Day celebrations

It was their first meeting since Ms Megawati was ousted more than a month ago as leader of the opposition Indonesian Democratic party (PDI) by a government-backed candidate, provoking the worst riots in Jakarta in 20 years.

foundling President Sukarno, who was ousted by Mr Suharto in 1965) risked robbing the president's Golkar party of votes at next year's general elections.

one really knows what Megawati is thinking," says Ms Dewi Fortuna Anwar, political scientist at the Indonesian Institute of Sciences.

Doubts raised over Vietnam banks' lending

By Jeremy Grant in Hanoi

A confidential report by Vietnam's central bank has exposed the precarious financial health of the 54 joint stock banks that have sprung up in the past five years of the country's tentative banking reforms.

socialist-style banking, are likely to be shaken by the revelations of their fragility.

and 75 per cent by the dominant four state-owned banks, are saddled with "an alarming level" of unrecovered loans.

occasionally private investors put "outstanding overdue loans" at another large joint stock bank, Ksiubank, at 31.7 per cent of its loan book.

The weaknesses exposed by the report may make for a depressing reading for joint stock bank managers, but they also raise questions about the financial health of the four state-owned banks, where it is impossible to pin down how much of their loans would be classified as bad, under international accounting standards.

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Thai telecom deal underlines shady business-politics links

Ted Bardacke reports on the problems of the Banharn government as claims of corruption dominate political life

It was the kind of deal that would normally make headlines. The state-owned Telecommunications Organisation of Thailand (TOT) and TelecomAsia, a subsidiary of the country's largest industrial conglomerate, the CP Group, last Thursday signed an agreement broadening the private company's concession in fixed phone lines to include the Personal Handypans System, a low-cost mobile phone system that has swept Japan.



Chavalit (left) and Thaksin: clashed over satellite

where Justice Minister Chalerm Yoonbammrung alleged that kickbacks were involved in the awarding of new licences, transparency certainly helped fuel the political fire.

Mr Chalerm said Mr Thaksin was upset about the bribery allegations only because his brother-in-law was part of one of the winning consortiums.

Mr Thaksin shot back with his own accusation: "Chalerm made the payment allegation because somebody who was not given a licence wrongly thought those who had been given licences had bought them. That somebody happens to be (Asia Times publisher) Sondhi Limthongkul... who is a close friend of Mr Chalerm."

But the hastily arranged signing ceremony, uncharacteristically sedate for the two powerful organisations, barely caused a ripple. Thailand was instead focused on the fate of the crumbling government coalition of Prime Minister Banharn Silpa-archa and his defiant national address later that evening, when he vowed to continue in office in spite of holding only a slim majority in parliament after Wednesday's withdrawal of the Palang Dharma party (PDP).

the TOT board approved a plan different from the one approved by the Thai cabinet - on orders of Deputy Prime Minister Gen Chavalit Yongchaiyudh, according to TOT officials.

payroll, but admits "as a politician I'm supposed to serve businessmen". The problem, as far as coalition politics is concerned, is that the TelecomAsia deal is a challenge to Thailand's existing mobile phone operators, including Advanced Info Service, owned by PDP leader Mr Thaksin Shinawatra.

Mr Chalerm is understood to hold a grudge against Mr Kosame Chatkavajh, Thai Oil chairman, who as governor of the Electricity Generating Authority of Thailand (EGAT) in 1990 fought off a bid by Mr Chalerm, then a Prime Minister's Office minister and on his way to being declared "usually rich" after the 1991 military coup, to get control of some of EGAT's lucrative contracts.

Business slows to trickle as gates of netherworld open

Ghost Month puts the wind up Taiwanese

By Laura Tyson in Taipei

Superstition is both boon and bane for business in Taiwan during Ghost Month, when sales of fake money and incense soar but car and house purchases plummet, new business ventures are postponed and few dare get married or travel.

continues on projects already under way, but marketing of pre-sale units is suspended during the month.

For during the seventh month of the lunar calendar, this year from August 12 to September 14, tradition has it that the gates of the netherworld are thrown open and ghosts swarm out to mingle with the living.

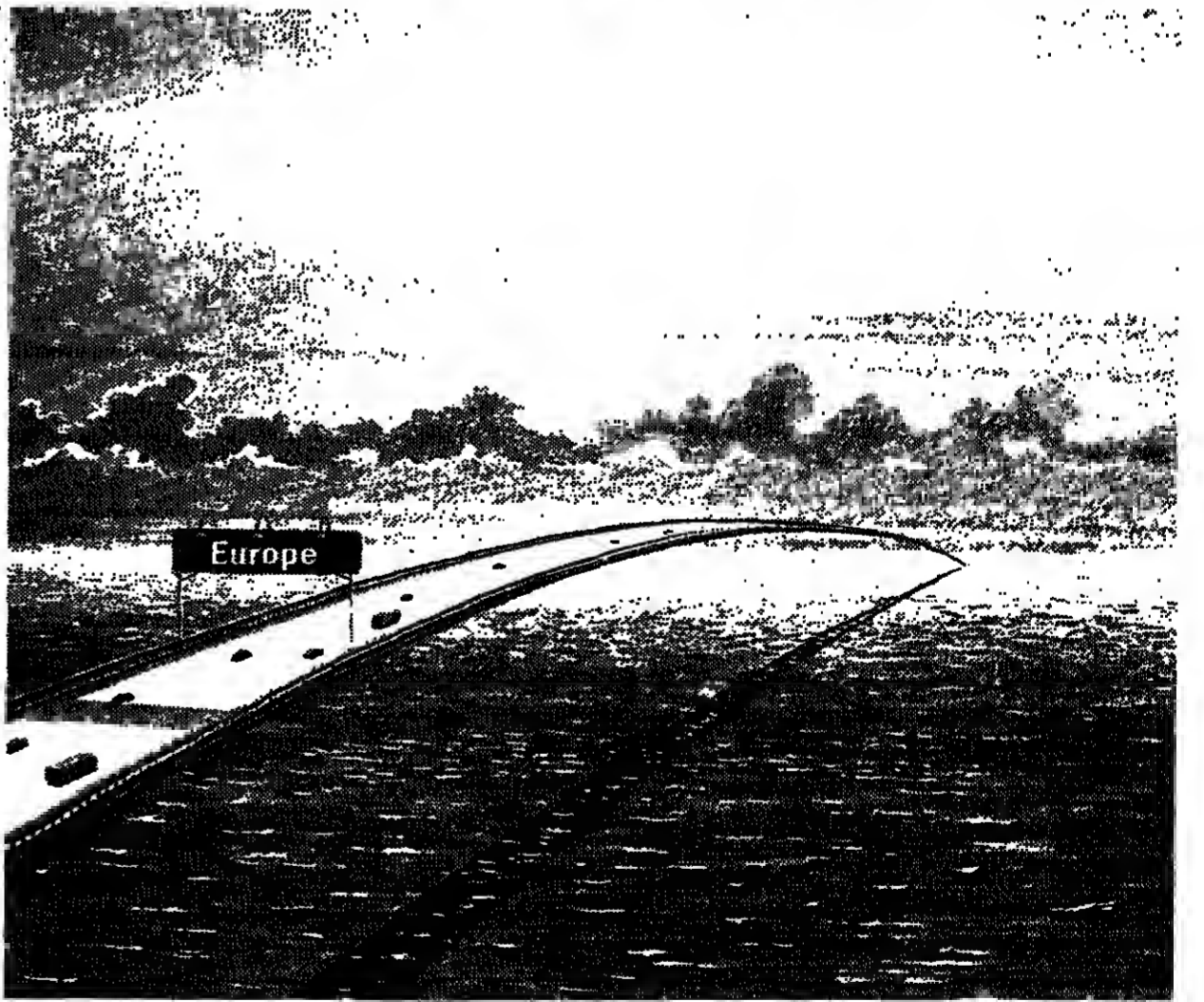
To attract customers, department stores, bridal shops and hotels offer reduced rates and special offers. Restaurants also see less business.

For certain industries, especially consumer-related, the effects of Ghost Month are particularly severe. Mr David Loeb of ING Barings Securities' Taipei office says that as a rule of thumb, passenger car sales fall to 60 per cent of average monthly levels during Ghost Month.

Taipei's Grand Hyatt, the island's biggest hotel, said haughtiest business falls to about a third of normal levels, partly because of the sharp drop in weddings. Because many of the Hyatt's guests are foreigners, occupancy levels are stable but other five-star hotels in the capital report fewer guests, due to reduced tourism.

The entire passenger car market suffers each year, so naturally we are also affected," a spokesman at BMW's Taiwan sales agent said.

For many Taiwanese, even those educated overseas, the modern-day world of high-rises, cellular phones, super-sonic travel and luxury cars co-exists with spiritual beliefs rooted in traditions of an agricultural society which has all but vanished.



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NEWS: INTERNATIONAL

River of frustration overflows in Jordan

By David Gardner Middle East Editor

On the east bank of the Jordan Valley a river of frustration is overflowing.



King Hussein ordered 'iron fist' policy to quell anti-state violence stemming from protest over bread price rises

The crisis has been triggered by a doubling of bread prices, agreed as part of an International Monetary Fund-sponsored programme to cut the budget deficit and deepen structural reform of Jordan's economy.

The king responded to the 1989 revolt with the first elections to parliament since 1957, and by sacking the prime minister. This time, he has suspended parliament, but cannot easily offer to sacrifice Prime Minister Abdel-Karim Kabariti, ushered into office this January as the emblem of a "white revolution": a new departure into accountable and efficient government.

already intense pressure to cut back on links with Israel. The revolt began on Friday in the south Jordanian Crusader stronghold of Karak.

The king, who enjoys great if not unquestioned authority in Jordan, has visited Karak and the south, and should be able to regain control. He has vowed to crush with "an iron fist" any band of any demented person and anyone who challenges security and instigates dissent.

international donor approbation, and some foreign investment, but the much-touted Israel-Jordan-Palestine "triangle" of development is nowhere in sight.

Since the election in May of Mr Benjamin Netanyahu at the head of a hardline Israeli government hostile to trading conquered Arab land for peace, the king has gone further out on a limb by insisting little has changed in the regional peace process.

All this has helped crystallise broad discontent, centred on the Islamic Action Front, the Jordanian arm of the pan-Islamic Moslem Brotherhood.

To keep peace with Israel, King Hussein has had to roll back democratic reforms. To prepare for the elusive benefits of peace, he has had to impose hardship on his fast-growing population.

Accusations of rigging mar Lebanon poll

By Fouad Khairif in Beirut

Accusations of vote-rigging marred the start of Lebanon's parliamentary elections yesterday, the first in the post-civil war era in which anti-Syrian Christian candidates are taking part.

One man was reported to have taken a fight to the streets between two rival Druze clans in the Aley district, east of Beirut.

The Mount Lebanon constituency is regarded as the most controversial in the elections, due to stretch over five consecutive Sundays. At stake there are 35 seats in the 128-member chamber, with 24 reserved for Christians.

parliamentary elections. As a result they were marginalised for the last four years. This year, expelled Maronite leaders opposed to Syrian dominance of Lebanon called again for a boycott after parliament amended an electoral law which carved Mount Lebanon into smaller constituencies than in the rest of the country, dispersing the Christian electoral majority and ensuring a strong showing by allies of pro-Syrian Druze leader Walid Jumblatt.

to withdraw from the south Lebanon strip while retaining hold of Syria's Golan Heights.

have rushed to join the race, littering the capital with their posters.

Brazil-Bolivia deal to spur gas project

Agreement has finally been reached between the Brazilian and Bolivian states on financing of a natural gas pipeline between the two countries half a century after it was first proposed.

The agreement enhances prospects for "capitalist" oil exports, set for September 26. Some 24 international companies have pre-qualified to bid for a 50 per cent stake in the three packages, two for exploration and production and one for transport, into which it has been divided for transfer to private sector management.

source. The pipeline is a step to regional integration. But gas at any price is not such good news. "The model as it stands is a worry."



Bolivia-Brazil gas pipeline, wiring attractions for both countries

stopped at São Paulo. Continuing to Porto Alegre, they say, would reduce that return to 8 per cent.

with other distributors, thereby assisting its talks with financiers, observers say the high price may not be sustainable for more than three or four years.

Construction of what will be one of Latin America's biggest infrastructure projects is scheduled to begin on September 4 but the future of the much-delayed pipeline remains unclear.

are at present producing. The agreement enhances prospects for "capitalist" oil exports, set for September 26. Some 24 international companies have pre-qualified to bid for a 50 per cent stake in the three packages, two for exploration and production and one for transport, into which it has been divided for transfer to private sector management.

For Brazil, the pipeline offers a much-needed alternative energy source. Its power industry has suffered from under-investment for years. Recently, demand for electricity surged after the government success in cutting inflation; Brazil is dependent heavily on hydro-electric power, but low rainfall has left many reservoirs only 30 per cent full. With technological advances, natural gas has become more commercially attractive to the electricity industry.

The pipeline is a step to regional integration in Latin America

stopped at São Paulo. Continuing to Porto Alegre, they say, would reduce that return to 8 per cent. Terminating the pipeline at São Paulo would allow Petrobrás to sell gas to distributors at about \$1.80 per 1m BTUs (British thermal units). Completing the pipeline would force them to raise this to about \$2.80 per 1m BTUs.

Jonathan Wheatley and Sally Bowen

Mexico forces a Wonderbra cover-up

Leslie Crawford on controversy sparked by a 'sensual' advertising campaign

She was first sighted above a flyover in Mexico City, tall, shapely blonde wearing nothing but a satin bra.



Modesty prevails: From scant beginnings Wonderbra ads take on more attire in Mexico



of one every 15 seconds when they were launched in the autumn of 1994.

Peopla identified the brand with Eva. She became the Wonderbra girl. We invested considerable equity in that image," says Ms Clover Bergman, marketing vice-president at Wonderbra's headquarters in Winston-Salem, North Carolina.

The matrons picketed billboards, jammed the mayor's phone lines and wrote letters scolding with indignation to the local press. A second battlefront was opened in Monterrey.

our sons, our husbands and our teenagers. We don't want our streets filled with pornography. Like in Europe," she complained.

fray. Left-wingers accused anti-Wonderbra mayors of being reactionaries. Mr Felipe Calderón, leader of the conservative National Action Party, issued a general appeal to keep bras out of politics. "It is only the distributors of this brand which benefit from so much publicity," he said.

Back in the US, however, the controversy has made Sara Lee, maker of frozen foods and owner of lingerie trademarks such as Playtex, Cacharel and Wonderbra, register the shortcomings of transnational advertising.

The Wonderbra media campaign marked one of the first forays into global advertising by Sara Lee, whose lingerie brands are more than \$1bn in annual sales worldwide. Starting in the UK in 1994, the ads, featuring Ms Herzigova, were so successful Wonderbra could hardly keep up with demand.

the constitution last year opened supply of piped gas to the private sector and ended Petrobrás' monopoly in the petroleum industry.

Perot wins nomination in low poll

By Jurek Martin in Washington

Mr Ross Perot has predictably won the presidential nomination of the political party he created, \$80m from his private fortune and the Reform Party's tune and the Reform Party's independent coffers and fund-raising abilities are meagre without his wealth.

accept federal matching funds for his campaign. His 1992 performance entitled him to accept \$29.2m, but would limit his personal contribution to \$50,000. Four years ago, he spent over \$80m from his private fortune and the Reform Party's tune and the Reform Party's independent coffers and fund-raising abilities are meagre without his wealth.

The second concerns selection of a running mate. Presumably not now Mr Lamm, given the bad blood between the two. His choice in 1992, retired admiral James Stockdale, was a delegate for Mr Dole at last week's Republican convention in San Diego and thus unavailable.

Among those reportedly under consideration are Democratic Congresswoman Marcy Kaptur from Ohio like Mr Perot a virulent critic of the North American Free Trade Area (Nafta), and Mr David Boren, former Democratic senator from Oklahoma, now president of the state's main university.

Mr Perot was due to accept the nomination last night in Valley Forge, Pennsylvania, where the Reform Party was to continue its convention.

Mr Clinton, who was to attend a gala 50th birthday party in New York last night, used his regular weekly radio broadcast for a frontal assault on his opponent's programme.

INTERNATIONAL NEWS DIGEST

Egyptians 'not hiding in Sudan'

Sudan, facing a UN-imposed embargo on its airlines, could not hand over three Egyptians suspected of trying to kill Egypt's President Hosni Mubarak in Ethiopia last year because they were not in the country, it said yesterday.

The project could also become embroiled politically. Ending the pipeline in São Paulo would be seen as favouring only one part of the country. Petrobrás' political influence could be important in the debate on whether to change the constitution to allow President Fernando Henrique Cardoso to run for a second term in 1998.

Presidential aircraft crashes

A presidential support plane with nine people aboard yesterday crashed into a mountain in Wyoming after taking off on a flight to President Bill Clinton's birthday party.

Tajik guerrillas 'seize town'

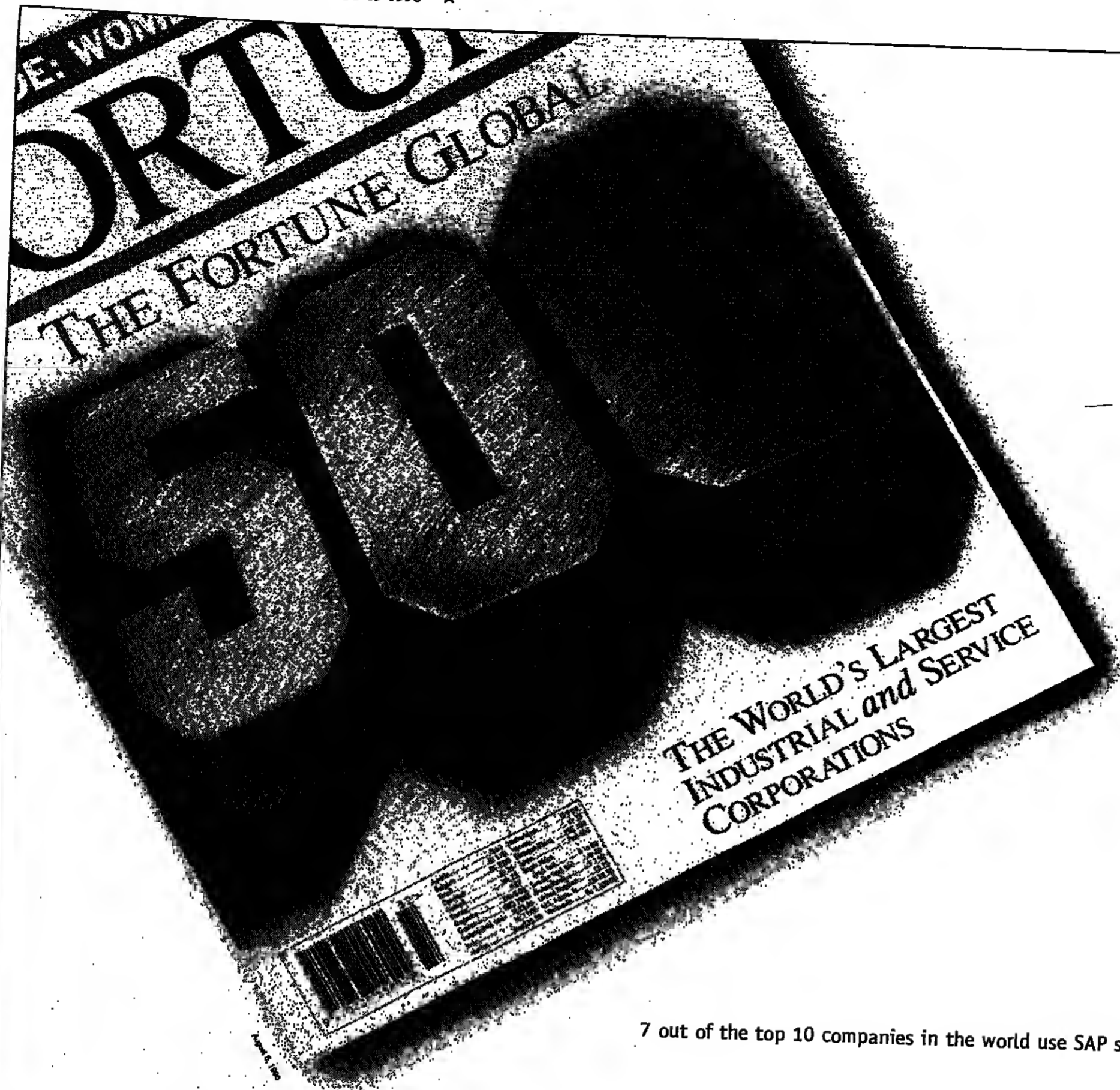
Islamist rebels in Tajikistan have taken control of the strategic town of Tavildara, they said yesterday. The fierce fighting over the past few days has jeopardised a UN-arranged ceasefire.

Libyan rebels 'kill 26'

Libyan rebels have ambushed a military convoy near Benghazi and killed up to 26 people as resistance to Col Muammar Gaddafi's 27-year rule continues to grow.

سكنا من الامم

صكنا من الامل



7 out of the top 10 companies in the world use SAP software.

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Germany (0180) 5 34 34 24 Greece 9 24 02 42 Hungary 00 43 (1) 2 88 22 251 Italy (039) 68 79 1 Netherlands (06) 0 22 50 52 Norway (67) 53 15 70 Poland (022) 60 60 606
Russia/C.L.S. (095) 2 75 04 54 Spain & Portugal (01) 4 56 72 00 Sweden (08) 80 96 80 Switzerland (032) 42 71 11 UK (0181) 818 2940 South Africa 0 800 119339



Union leaders say labour unrest will rise

By Robert Taylor, Employment Editor

Britain can expect an upsurge of labour unrest over the winter, but it will fall short of all-out strikes, say the majority of trade union leaders questioned in a survey published today.

The industrial relations survey, by the employment law firm Dibb Lupton Broomhead, says 88 per cent of trade union leaders foresee an increase in industrial action over the next year,

but only 15 per cent expect their members to strike. While 16.5 per cent predict action other than a strike, such as overtime bans and work-to-rules, 22.5 per cent believe there will be an increase in the use of dispute ballots or the threat of calling them.

The survey reveals that 61 per cent of public-sector employers and 32 per cent of private-sector employers whose workers belong to trade unions also expect labour unrest over the next

year - the largest proportion recorded since the survey began in 1992. Over the past 12 months, 39 per cent of unionised companies experienced some form of industrial unrest, but only 5.5 per cent actually suffered a strike, down by a third on the 1995 figures.

The survey is based on responses from 130 of the UK's largest private-sector companies, 50 employers in the public sector and 50 trade unions. Employers appear to be

willing to take tough action to combat any conflict. The survey says 89.5 per cent of them are ready to consider legal proceedings if unlawful industrial action is taken against them, 49.5 per cent saying they would consider dismissing all their employees who went on strike and 31.5 per cent saying they would consider dismissing only the "troublemakers".

On the other hand, the survey also says that 22 per cent of non-unionised companies do not believe recog-

nising a trade union for bargaining purposes would damage employment relations structures, compared with 8 per cent last year. The survey says this would "seem to indicate some companies which were once strongly anti-union have reassessed their view and begun to see union recognition as less of a threat".

Only 9 per cent of employers believe a reduction in the two-year qualifying period before an employee can pursue an unfair dismissal

claim would cause them "great problems"; 55 per cent say it would create "minor problems"; and 86 per cent anticipate such a change would have little or no effect on their organisation.

Just 5 per cent of unionised employers in the survey believe that giving the same employment rights to part-timers as full-time workers would lead to a fall in part-time jobs.

Dibb Lupton Broomhead, 125 London Wall, London EC2Y 5AB 5AS

UK NEWS DIGEST

IRA terrorist returned to jail

Mr Jimmy Smyth, a convicted terrorist and jail escapee, was last night back in prison in Northern Ireland after being flown from the US following a long extradition battle.

One of 38 inmates involved in the IRA mass escape from the Maze in 1983, Mr Smyth was flown from the US to London's Heathrow airport where he was handed over to Northern Ireland police officers. He was then flown to Belfast International airport and driven under tight security to Maghaberry jail. His return marks the end of a long battle against extradition from the US where he was arrested in June 1992 on passport violations.

Mr Smyth, from Belfast, was jailed in 1978 on a string of terrorist offences and was sentenced to 20 years for the attempted murder of an off-duty prison officer. He was one of several of the Maze escapees smuggled to the US and later arrested. A Federal court barred his extradition in 1994 but the decision was reversed on appeal. Mr Smyth then appealed to the US Supreme Court, but in June the court denied a review of his case. *PA News*

MANUFACTURING

Pay increases falling, says CBI

Basic pay increases in UK manufacturing are falling while productivity has improved, says the Confederation of British Industry in a survey today. The survey says that the provisional figure for the three months ending in July averaged 3.2 per cent compared with 3.5 per cent for the previous three months.

The figures also suggest that private service companies are awarding slightly higher settlements at 3.6 per cent, compared with 3.5 per cent for the three months to April. The level of service pay increases has remained virtually flat since the start of the year. *Robert Taylor*

CORPORATE ANALYSIS

Profitability 'stuck at 11.5%'

Profitability among Britain's biggest companies remains well below its pre-recession level, and shows little sign of recovering even in sectors exposed to buoyant consumer spending, according to Europe's largest credit reference agency.

Measured as the return on capital employed, corporate profitability has been stuck at around 11.5 per cent for more than a year, according to the latest corporate health check by C&A Group. This is less than two-thirds of its pre-recession level. Mr David Coates, director of the group, noted that consumer-led growth at best sucked in imports and often led to rapid corrections in interest rates. *Robert Chote*

COMMERCIAL VEHICLES

Peugeot plans 100 sales centres

Peugeot is setting up 100 dedicated light commercial vehicle centres throughout the UK with the declared intention of doubling its sales of such vehicles to over 10,000 units next year.

The project, which if successful would raise the company into the top five commercial vehicle brands in the UK, is being driven by the French vehicle maker's launch of a new range of Peugeot 106 and 306 car-based light vans to complement its larger Boxer panel vans. *John Griffiths*

Doctor's surgery to open at station

By Chris Brown-Humes

Railtrack will today open the first doctor's surgery at a mainline rail station, marking the first stage of ambitious plans to expand retail and leisure services at many of the country's big rail terminals.

The company, owner of Britain's rail network infrastructure, hopes facilities such as health clubs, bowling alleys, multi-screen cinemas, virtual reality centres, libraries, business centres and crèches - as well as doctors' and dentists' surgeries - will eventually be offered to customers. The aim is to attract passengers and people living and working near stations, even if they do not travel by train.

The doctor's surgery at Victoria station in London will be run by Medicentre, part of Sinclair Montrose Healthcare, the personnel group recently floated on the alternative investment market. The walk-in service will operate six days a week, with normal GP functions, screenings and vaccinations. The cost would be £32 per consultation.

Ms Carol Davies, Medicentre's operations manager, said the aim was to expand the service first to other mainline London stations - including Waterloo and Liverpool Street - but eventually to airports and shopping malls. The scheme is based on a US concept. Railtrack operates 14 mainline stations - including eight in London - and leases 2,500 stations around the country. It believes many of them are significantly under-exploited and points out that up to 200,000 passengers a day pass through its biggest stations.

The company said yesterday that the monolithic structure of British Rail, owner of the rail network before privatisation this year, prevented the potential of the stations being realised.

A model for the future is Liverpool Street station in London. Following a big development programme in the early 1990s, it boasts a range of niche shops, Japanese and Italian restaurants, a health club, pub and travel centre. It is busier at lunchtimes than at rush hour, says Railtrack, but there is potential to develop it further.

"We see this as a step change in the way things are done at the railways," Railtrack said.

"Instead of being places people pass through, we want stations to be places people go to."

Forsyth shows plausible alternative

Scotland's 'brilliant propagandist' on the attack

Mr Michael Forsyth, the 41-year-old Conservative who has been secretary of state for Scotland for just over a year, has turned into a much more formidable figure than his political opponents anticipated.

The power of the governing Conservative party in Scotland has been dwindling for many years, and the opposition Labour party has gained wide support for its policy of devolution which would involve creating a separate assembly for Scotland. Few people believe that Mr Tony Blair, the Labour party leader, would have announced in June that a Labour government would stage a referendum on its plans for a Scottish parliament if it had not been for Mr Forsyth's biting attacks on devolution and on the "tartan tax" (his own phrase) that a Scottish assembly would be able to levy.

"Forsyth is a brilliant propagandist," says an observer of the Scottish scene. "Even though I don't share his views I admire his determination and his refusal to compromise."

Mr Forsyth is the son of a garage owner from Montrose in eastern Scotland who became a radical right-winger at St Andrew's University. In a year of frantic energy as secretary of state he has produced countless official initiatives while

relentlessly attacking Labour, putting Mr George Robertson, the shadow Scottish secretary, on the defensive.

Mr Forsyth returned to Scotland last year with a reputation for insensitivity and abrasiveness, acquired while education and health minister at the Scottish Office under Mrs Margaret Thatcher.

Few people in Scotland noticed how since then he had rebuilt his reputation at the Department of Employment and the Home Office in London, and established himself as loyal to Mr John Major, albeit on the Euro-sceptic right of the party. So many Scots were taken aback by the new Mr Forsyth who was friendly, amusing and charming.

After an initial period assiduously receiving representatives of organisations such as the Scottish trades unions whose views differed strongly from his own, his political agenda emerged. He has tried to appeal to Scotland's depleted Conservative voters by calling for more rigorous standards in education, tougher sentences for criminals and less waste by Labour controlled councils.

Mr Forsyth's principal target has been Labour's plan for a tax-raising Scottish parliament. He says that it would cost Scotland its favourable position in the United Kingdom and its disproportionately large share

of UK public expenditure. These are not new themes for the Scottish Conservatives. But Mr Forsyth presents them more aggressively and has been able to display a more plausible alternative to devolution than his predecessors could. Under him the Scottish grand committee of all 72 Westminster MPs who represent Scottish districts has been given more power, meets in towns all over Scotland and has been addressed by the prime minister. The sessions have mostly been rowdy, but Mr Forsyth has gained an extra platform.

It could be argued that his attacks on the tartan tax have been too successful, pushing Mr Blair into the referendum policy which could defuse the issue before the general election.

But so far the referendum policy has been Labour in Scotland, reminding the party that it is led from London and raising doubts about how popular with ordinary people the idea of a tax-raising parliament really is. Mr Forsyth can only profit from this disarray.

Yet it took a long time before Mr Forsyth's permanent campaigning began to improve the Tories' standing in the Scottish opinion polls. For months it stayed close to the Tories' all-time low of 11 per cent, compared with the 26 per cent they won in the 1992 election. Recently, support reached 15 per cent. Mr Forsyth must hope the



Conservatives have a residual level of support that is reluctant to decline itself but equates to the 20 per cent of the electorate against home rule.

A Conservative revival is vital if Mr Forsyth is to hold his seat at Stirling where

his majority is only 903. If Mr Forsyth manages to hold his seat and help the Scottish Tories preserve most of the 11 seats they won in 1992, his career could advance further.

James Buxton

Tour industry worried over delays to inquiry

By Soheerazade Daneshkhu, Leisure Industries Correspondent

Concern is growing in the package holiday industry at the time being taken by the Office of Fair Trading to issue the findings of a year-long investigation.

The OFT cleared the travel companies of anti-competitive behaviour two years ago but began reviewing its findings last summer.

The industry had initially expected the results towards the end of last year and has been expecting them imminently for the past six months. However, after several rounds of questioning, the OFT took the unusual step of going back to some of the companies last month.

"We are very concerned at the length of time they are taking," said one large package holiday company last week. "It's difficult to plan your business against this background."

"They've been in and out wasting huge amounts of

executive time," said another. "It's appalling."

The OFT, under Mr John Bridgman, its new director general, is investigating competition concerns raised by vertical integration - the ownership of travel agencies by tour operators.

Thomson owns Lunn Poly, the UK's largest travel agent, and Airtours owns Go Places, the second largest. Thomas Cook, the third-largest travel agency, owns Sunworld, the fifth largest tour operator and has a stake in First Choice, the third largest.

Independent travel companies say that they are being squeezed out of the market, principally by the big three operators - Thomson, Airtours and First Choice, which control 65 per cent of the industry.

Ms Sue Ockwell, chief executive of the Association of Independent Tour Operators, said: "I'm sure the OFT has a lot on its plate but it must be feasible to have a time scale."

Issues of concern include the payment of discriminatory rates of commission to different travel agents, the refusal by some agents to carry the brochures of certain tour operators, and agents promoting their parent companies' holidays.

The hold-up is believed to be due to legal procedures involved in reaching a formula to secure the large companies' agreement to implement measures addressing these concerns. If this can be done, the matter will almost certainly not be referred to the Monopolies and Mergers Commission.

The OFT is likely, however, to end the travel agents' policy of tying discounts to the compulsory purchase of in-house insurance and to insist that they do not further assure to ensure that customers are aware of the ownership links with tour operators.

The OFT said the investigation was at a "sensitive" stage and could not give a date for the final decision.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

TODAY
 Citicorp \$0.45
 Daido Steel 4.8% Nts. 1997 Y480,000
 DBS Management 8.5p
 Esportifans FRN. 2003 \$25.14
 Fuller, Smith & Turner 5.3p Halifax Bldg. Soc. FRN. 2003 \$34.81
 Halma 1.55p
 Hambros 5p
 Do. Non. Vtg. 2.1p
 L.A.B. Invs. 7 1/2% Sec. Bds. 2019 3.5625
 Marks & Spencer \$0.9528
 MBL Finance (Curacao) 6% Bds. 2002 \$675,000
 Mountview Estates 15p
 NFC 2.5p
 Tom Cobleigh 1.8p
 Turnpike Grp. 0.4p
 Vodafone Grp. 2.04p
 Wyndeham Press Grp. 2.7p

TOMORROW
 AVCO Tst.Gtd. FRN. 1998 £157.10
 BAA A.D.R. \$0.1375
 Bank of Ireland Series A Et. 48.4527p
 Series A IR£1. IR£47.0048
 Berlaymont Overseas Capital Corp. 6.375% Gtd. Nts. 1997 C\$83.75
 Caterpillar \$0.40
 CLM Insurance 1.5p

Furukawa 6% Nts. 1996 Y800,000
 National Power 117.6p
 Rowe Exams Invs. 4p
 Unigate A.D.R. \$0.2424
 Wells Fargo & Co. \$1.30

WEDNESDAY AUGUST 21
 British Funds 10 1/4%
 Exchequer 1997 £5.25
 Foreign & Colonial High Income Tst. 0.6p
 Kyffins IR0.5198p
 Kilkerrort Charter Invs. Tst. 1.75p
 Merrill Lynch \$0.30

THURSDAY AUGUST 22
 Abbey National/Treasury Services 6.375% Nts. 1998 \$83.75
 Alders 2.4p
 Bear Stearns FRN. 2004 \$2,580.97
 British Steel A.D.R. \$1.3449
 BT Finance 6 1/2% Gtd. Nts. 1997 \$65
 Chase Manhattan Corp. Sub. FRN 2000 \$142.15
 Christie Grp. 0.317p
 6% Crn. Pt. 2.1p
 Lloyds Bank Series B. Sub. FRN. 1998 £157.73
 Midland Bank Sub. FRN. 2001 \$78.24
 Mitsubishi Tst. Fin. FRN.

2001 \$481.20
 National Westminster Bank Undated FRN £172.81
 NIFC 7 3/4% Conv. Bds. 2007 £38.75
 Trustco Fin. 11 1/4% Sev. Deb. 2018 £5.75
 Wells Fargo Sub. FRN. 1998 \$143.75

FRIDAY AUGUST 23
 Abtrust Preferred Income Invs. Tst. 4.25p
 Allied Colloids Grp. 2.28p
 Bandit 0.8p
 BPE Inds. 6.35p
 Bristol & West Bldg. Soc. FRN. 1999 £1,564.75
 Burton Grp. 8% Unsec. Ln. 1996/2001 £4
 Canadian Imperial Bank of Commerce Sub. FRN. 2005 \$271.74
 Cardiff Automobile Receivables Securitisation FRN. 1998 £162.13
 Do. Mezz. FRN. 1998 £185.38
 Carlton Comms. 4.37p
 Cassidy Brothers 2.25p
 Clayhite 2.57p
 Eaton Corp. \$0.40
 Gartmore Scotland Invs. Tst. 2.6p
 HongKong and Shanghai Banking Corp. Prim. Cap..

Undated FRN. \$140.81
 Inspirations 0.78p
 Jersey Electricity Co. 16p
 Jones & Shipman 1p
 Lloyds Eurofinance FRN. 1998 £77.70
 London Intl. Grp. 1.5p
 London Merchant Securities 3.8p
 Merchants Tst. 3.25p
 Morgan Stanley Equity 11.740625p
 Nationwide Bldg. Soc. 4.25% 2024 £3.0041
 New London Capital 2p
 Royal Bank of Canada (The) C\$0.34
 TGI 2.2p
 WAH Kwong Shipping Hldgs. HK\$0.429
 Westpac Banking Corp. Sub. FRN. 1997 \$278.06

SATURDAY AUGUST 24
 Eskmuir Props. Mort. Deb. 2020 £3.9375

SUNDAY AUGUST 25
 British Funds 8 3/4% Treasury 2017 £4.375
 European Invs. Bank 8 3/4% Bds. 2017 6.75p
 Ireland (Republic of) Var. Rate Treasury IR£1.29

UK COMPANIES

TODAY
COMPANY MEETINGS:
 Drew Scientific, Telemeter Building, Park Road, Barrow in Furness, Cumbria, 11.30
 Excoalbur, 3, Colmore Circus, Birmingham, 10.00
 Tinsley Robor, 50, Victoria Embankment, E.C., 10.30

BOARD MEETINGS:
 Final: Syndicate Capital Tst

Interims:
 Alliance Tst
 Argos
 Hibernian
 Jupiter Int Green Inv Tst Page (Michael)
 Prospect Japan Fund
 Taylor Nelson AGB
 Wace

TOMORROW
COMPANY MEETINGS:
 China Inv Tst, Knightsbridge House, 197, Knightsbridge, S.W., 10.30
 Moorgate Inv Tst, 49, Hay's Mews, W., 11.00
 Northumbrian Fine Foods, Dukeway, Team Valley, Gateshead, Tyne & Wear, 10.30

Orbis, Great Eastern Hotel, Liverpool Street, E.C., 10.00
 Symonds, Great Eastern Hotel, Liverpool Street, E.C., 11.00

BOARD MEETINGS:
 Final: Armitage Brothers
 British Sky Broadcasting

Interims:
 Cussins Property
 Glenchertown
 Graseby
 Kerry
 Orange
 Perry

WEDNESDAY AUGUST 21
COMPANY MEETINGS:
 Avesco, Ventura House, Davis Road, Chessington, Surrey, 11.00
 Bell (AH), 50, Stratton Street, W., 11.30
 Hanover Int, 100, Liverpool Street, E.C., 10.30
 Jaemini, Sellers Wood Drive, Bulwell, Nottingham, 12.00
 Novo, 6, Broadgate, E.C., 11.00
 Proteus Int, Chartered Accountants' Hall, Moorgate

Place, E.C., 12.00

BOARD MEETINGS:
 Interims:
 Dunedin Income Growth
 EW Fact
 Marley
 Mersey Docks & Harbour
 Richardson Westgarth
 TR High Income Tst

THURSDAY AUGUST 22
COMPANY MEETINGS:
 FKJ, Forte Posthouse Hotel, Clifton Village, Brighouse, West Yorkshire, 12.00
 Gatas (UK), Heathhall, Edinburgh Road, Dumfries, 12.00
 Jones & Shipman, Forte Posthouse Hotel, Braunstone Lane East, Leicester, 12.00
 Marring Ind, Chartered Accountants' Hall, Moorgate Place, E.C., 11.30
 TGI, Moor House, 118, London Wall, E.C., 11.00

BOARD MEETINGS:
 Final: News Int
 Interims:
 Maflett

Dawsongroup
 Evans Halseah
 Goldsmith
 Remkol
 Weir
 Whatman

FRIDAY AUGUST 23
COMPANY MEETINGS:
 Celis Int, New Broad Street House, 35, New Broad Street, E.C., 10.00
 Nell Clerk, 8, Park Circus Place, Glasgow, 12.00

BOARD MEETINGS:
 Final: Tex Holdings
 Lawrence

Interims:
 Maflett

Company meetings are annual general meetings unless otherwise stated. Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

Air pollution strategy likely to arouse environmentalists' anger

By Leyla Bouton, Environment Correspondent

The government this week publishes a national air quality strategy with the ambitious goal of eradicating all danger to human health from air pollution by 2005.

However it is likely to attract fierce criticism from environmental groups for not doing enough to curb traffic in cities which is the most important source of urban air pollution.

In contrast, air pollution from industrial sources is already on its way to significant reductions as a result of tighter controls already imposed on it.

The strategy says that every year air pollution causes several thousand deaths and as many as 20,000 hospital admissions. The threats to health include particulate dust emitted by diesel vehicles, and summer-time smog, caused by a reac-

tion of nitrous oxides with sunshine. The strategy, which sets targets for curbing eight main pollutants over the next 10 years, relies partly on the European Union adopting new car emission and fuel quality standards proposed by the European Commission earlier this summer.

Targets for four of the most serious pollutants - nitrogen dioxide, ozone, particles, and sulphur dioxide - will be reviewed in 1999 in the light of progress made in adopting European legislation. UK officials say that European-wide standards have the added benefit of avoiding harsher domestic targets that would be necessary to compensate for pollution that crosses national boundaries.

But the strategy is somewhat less ambitious when it comes to measures for curbing traffic - which the gov-

ernment says are necessary to complement the effect of air pollution standards.

The strategy, which basically shifts this component of the problem on to local authorities, promises, for instance, to give them powers to require drivers to switch off their engines when stationary. But it stops short of committing itself to allowing local authorities the power to levy charges to discourage motorists from using congested town centres. It says only that the government will consider allowing such measures, seen as politically sensitive, at a future date.

The plan is also likely to anger environmentalist groups for adhering to cost-benefit principles, which dictate that the costs of environmental improvements do not exceed the benefits from them.

Friends of the Earth, the environmental pressure

group, has argued that breathing clean air should be a "right and not a privilege" to be traded off against the costs of pollution abatement.

● An expected doubling of traffic on country roads over the next 30 years will hurt the public's enjoyment of the countryside unless bold measures are taken to tame traffic, the Council for the Protection of Rural England warns today.

The countryside charity urged the government to introduce speed limits of 40mph on some rural roads and 20mph in villages. It also called for funding to improve public transport in rural areas, and demanded measures to reverse a trend of the past 10 years whereby motoring had become cheaper while the cost of public transport had risen.

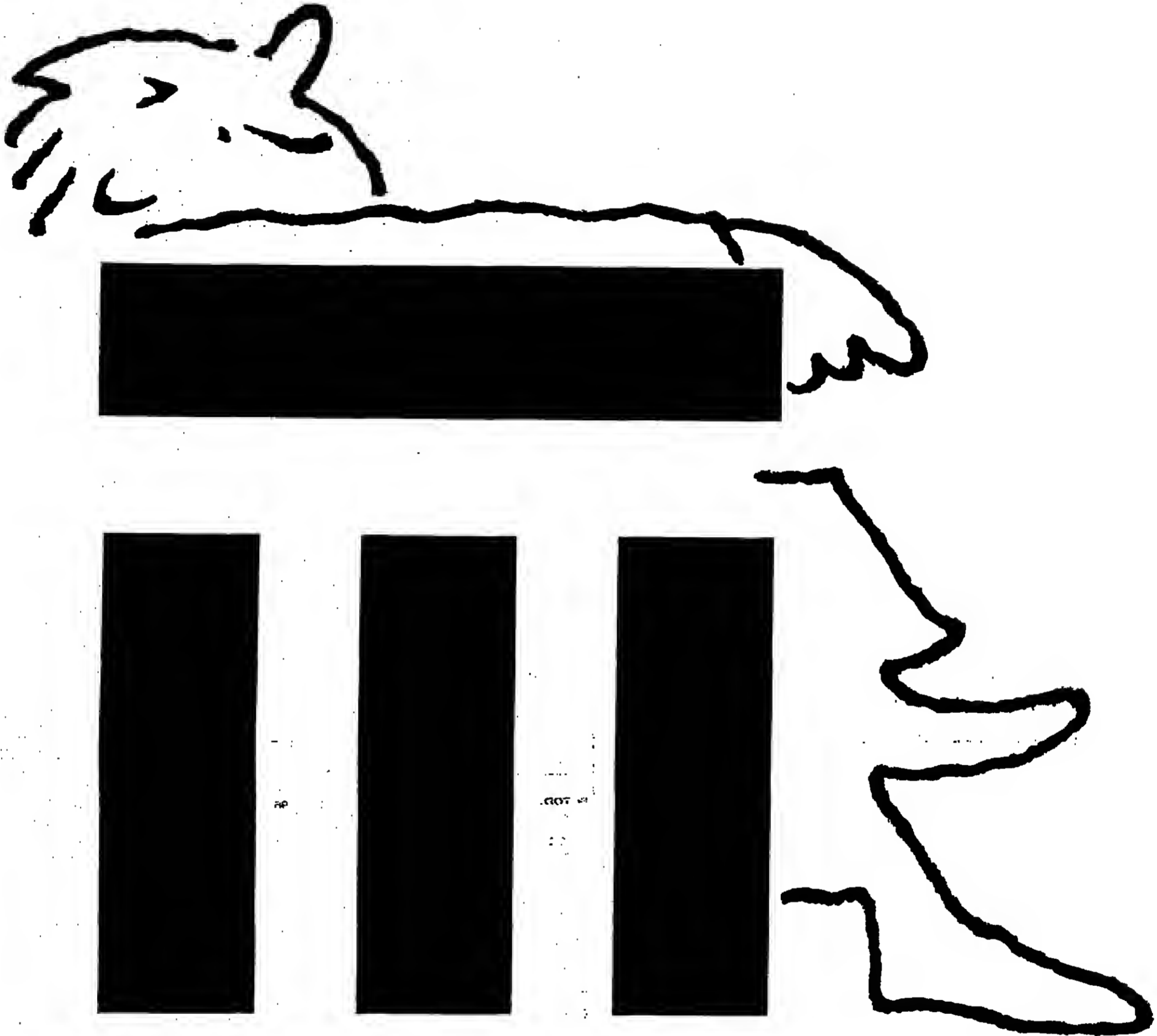
The CPRE also published a map highlighting areas likely to be hardest hit.

150

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IRA terrorist returned to jail

So who insures the insurers?



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Monday August 19 1996

Incentive plans to expand Gambro

By Hugh Carnegie in Stockholm

Incentive, one of the Swedish Wallenberg empire's key industrial companies, is gearing up for acquisitions in medical technology after largely completing a radical strategic overhaul that has made the sector its main business.

"We are clearly moving into a new phase," said Mr Mikael Liljus, chief executive. "Now we can start to build rather than to restructure."

Speaking after reporting a slip in group pre-tax profits in the first half from SKr2.2bn to SKr2bn (\$300m), Mr Liljus said the results were no deterrent to Incentive's ambitions.

The focus in the drive for growth is Gambro, a leading supplier of renal care equipment and services. Incentive completed a full takeover of Gambro this year and has since shed several other operations, leaving Gambro by far its largest business.

Mr Liljus said the recent investments had given Incentive the financial strength to go on the offensive - and be made clear Gambro would be the vehicle for acquisitions.

Gambro would also seek to expand outside the renal care sector. Mr Liljus cited its cardio-vascular equipment unit.

The re-modelling of Incentive by Mr Liljus reflects a move by the Wallenberg family to shift its balance towards growth industries and away from traditional cyclical stalwarts in engineering and pulp and paper.

Incentive followed its full takeover of Gambro by selling Hasselblad, the camera maker, Garphyttan, an engineering group, and AKA, a trading company. Last month it also sold Skandnavisk Elverk (SEV), a power supply group, for SKr4.2bn.

The SEV sale enabled Incentive to reduce its net debt to SKr9.9bn from SKr15.8bn at the end of June. The group's equity-to-assets ratio meanwhile rose from 51 per cent to 57 per cent. "We have returned to the financial strength we had before. This allows us definitely to focus on growth," Mr Liljus said.

The Haggblunds military vehicles group is also likely to be sold. Apart from Gambro, Incentive also has operations in environment control and materials handling equipment, and holds big stakes in ABB, the Swiss/Swedish engineering group, and Electrolux, the household appliances group.

On Friday, Incentive reported a drop in first-half profits from its core operations - before adding contributions from ABB and Electrolux - from SKr1.36bn to SKr1.13bn. The fall would have been greater but for one-off earnings of SKr670m, against SKr274m.

Gambro sales rose from SKr5.14bn to SKr5.36bn. But its operating profits fell from SKr770m to SKr709m.

Hines in \$296m European purchase

By Simon London Property Correspondent

Hines, the Texas-based company which is one of the world's largest property developers, has acquired seven shopping centres - including continental Europe's largest covered mall - from Macif, the French insurer.

The US company is paying about \$296m (\$296.7m) for a 50 per cent stake in the centres in France, Spain and

Italy. It also has an option to take full control.

The deal underlines the growing interest of international property investors in the French and Spanish markets, which many believe are poised for a recovery after several years of falling rents and property values.

Rodamco, the Dutch property group, last month announced an agreed \$300m (\$488m) offer for CEGER, a French property company. Three US investment

banks - Goldman Sachs, Lehman Brothers and Morgan Stanley - are currently competing to acquire a 57.1bn property and loans portfolio from Bue, the French financial and industrial holding company.

Several French financial institutions, including DAP, the insurer, have already sold smaller property loans portfolios. More are expected to follow suit as they seek to reduce their exposure to the property market.

The Macif deal is Hines' largest acquisition in Europe since it entered the market in 1991.

"We hope these assets will form the nucleus of a much larger pan-European retail property business," said Mr Randolph Dumas, joint managing director of Hines' European activities.

Other bidders included Heron, the private UK property group controlled by US investors, and Whitehall Fund, a real estate fund

managed by Goldman Sachs. Three of the seven Macif centres are under construction, including the 2m sq ft Grand Littoral centre in Marseilles, which will be the largest of its kind in Europe.

In a separate transaction, Hines recently acquired an 80-acre development site in Barcelona, known as Diagonal Mar, where it plans to build an equally large shopping centre alongside a residential development. Planning restrictions

mean few shopping centres are likely to be built in France or Spain in the next few years. This has given rarity value to developments such as Diagonal Mar and Grand Littoral which already have permission.

The privately owned Hines has assets of about \$7bn. Its European interests include developments in Berlin and Frankfurt and a proposed 700,000 sq ft office tower in La Defense, the office district outside Paris.

INSIDE

Sandvik

Sandvik, one of Europe's top engineering companies, joined the ranks of Swedish export companies hit by weak market demand and a strengthening krona when it reported a 15 per cent drop in profits in the first half of the year. The toolmaking specialist said profits after financial items dipped from SKr2.95bn at the same stage last year to SKr2.55bn (\$332m). Page 18

Normandy

The long-planned merger of Normandy, the Australian mining group, with PosGold, its 51 per cent-owned goldmining arm, and Gold Mines of Kalgoorlie has won overwhelming backing from shareholders at a series of meetings in Adelaide. The share swap deals will be put to the South Australian courts this week for approval. Page 18

Lucas Industries

Sizeable disposals are expected from the electrical and electronics business of the UK's Lucas Industries once the merger with Varty Corporation of the US is completed next month. Page 18

Fund Management

Europe should be tempting territory for US mutual fund managers seeking sources of fresh growth. But it has proved to be a slog for pioneers that have tried to rival continental European banks in selling managed funds. Page 18

Global Investor

Although the US Federal Reserve is likely to tighten monetary policy soon, this may not produce problems for emerging markets, which have strong trade and currency links with the US. After disappointing years in 1994 and 1995, they could be due a bull run. Page 20

Ralph Atkins reports on shifts in the make-up of the 300-year-old insurance market

New breed of investor raises pace of Lloyd's evolution

Link, and you'll miss the transformation of Lloyd's of London.

Once the 300-year-old insurance market was backed only by wealthy individuals with unlimited liability - Names. Now it also consists of a variety of fast-evolving companies including increasingly large insurance groups operating under Lloyd's umbrella, many of them listed.

Last week's uninvited \$20m bid by The Benfield & Rea Investment Trust for HCG Lloyd's - both Lloyd's investment vehicles - illustrated the competition among the market's backers for places on the best syndicates. It offered, too, the prospect of a further lift to the hitherto lacklustre performance of listed Lloyd's vehicles.

"It is a much more fluid market. Not a lot of amateur syndicates remain." The SEV sale enabled Incentive to reduce its net debt to SKr9.9bn from SKr15.8bn at the end of June. The group's equity-to-assets ratio meanwhile rose from 51 per cent to 57 per cent. "We have returned to the financial strength we had before. This allows us definitely to focus on growth," Mr Liljus said.

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Gambro sales rose from SKr5.14bn to SKr5.36bn. But its operating profits fell from SKr770m to SKr709m.



investors but professionals," says Mr Robert Hiscox, chairman of the Hiscox insurance group at Lloyd's. "It is incredibly healthy for the market. We're going from an expensive capital base to a much cheaper system."

The activity partly reflects confidence Lloyd's will this month secure its future - although rebel Names' last-minute legal challenge in Virginia to the market's \$3.2bn recovery plan will cause much sweating this week. Last week, Lloyd's saw off a similar action in the UK courts.

But rapid evolution is also being forced by Lloyd's restricted growth opportunities. Managers running syndicates realise international insurance is in a downturn and do not want to increase the market's size substantially. The best estimates suggest that 1997's underwriting capacity, measured by premium income, will be set at less than this year's \$3.9bn.

Meanwhile, many Names who survived the worst years are not seeing the out-of-court settlement of their claims against Lloyd's, which forms a central plank of Lloyd's recovery plan, as an excuse to quit. They want to benefit from the market's revival. That has limited the scope for increased corporate investment. And Lloyd's is letting market forces, rather than centralised controls, dictate the shape of its capital base.

Some might see feverish takeover action as a damaging distraction. After all, the insurer Commercial Union, which is larger than Lloyd's, is not preoccupied with constantly re-arranging its capital base.

But Lloyd's capital base has always been a defining characteristic. In the past, Names' unlimited liability was an attraction to policyholders seeking financial security. Today's struggles will determine whether Lloyd's consists of a few consolidated groups which use the market merely for its brand name and trading licences - or remains a true marketplace that encourages entrepreneurship by allowing capital to move easily between syndicates according to performance or fads.

Change has come in waves. When corporate capital was admitted, for the 1994 account - et. a time when some feared that without it the market could collapse - it mimicked traditional Names. Capital was "spread" across syndicates run by many independent managing agents.

Later the fashion was for "dedicated" vehicles, committing capital to a few syndicates run by a single agent. Underwriters liked "dedicated" because capital was more permanent - allowing longer-term business relationships to be built up with policyholders. By the start of 1996, about £1.5bn had been provided by corporate investors.

This year's theme has been consolidation - but also, crucially, bringing capital and underwriters under one roof. This is creating vehicles akin to normal insurance companies.

Several managing agents have been bought by US and Bermudian insurance companies. More recently, "spread" vehicles have also been bought agencies. Limit, the largest Lloyd's investor, has acquired majority stakes in the Bankside and Janson Green agencies. On Friday, the Murray Lawrence agency merged with Masthead, a listed "spread" vehicle it helped set up and which already supplies capital to Murray Lawrence syndicates.

Meanwhile, managing agents are combining with the Cox agency announcing on Friday it was teaming up with Christopherson Heath. And syndicates are getting bigger: Murray Lawrence is merging its seven into a jumbo entity.

What happens next? Consolidation and the search for economies of scale remain important. And as integrated vehicles, combining capital and underwriters, become more powerful, the pure "spread" may become a dying breed.

The emergence of larger units could force profound change in the way Lloyd's operates. There is pressure to end "mutualisation" - the idea that the strongest help pay insurance claims when the weakest investors cannot meet obligations.

The question of whether a Lloyd's organisation is needed at all - or whether the new breed of insurance companies could do better as ordinary members of the international insurance industry.

But ending such an important principle would raise

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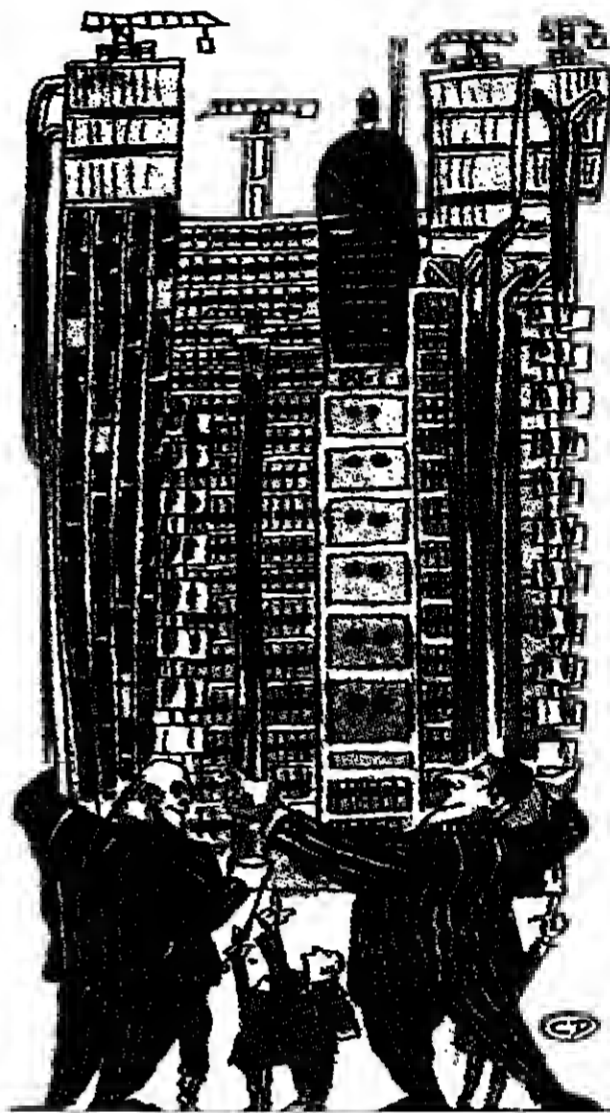
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But ending such an important principle would raise



Lloyd's depends increasingly on corporate capital

"For major companies to have the risk of mutualisation" from rogue syndicates is not attractive," says the chief executive of one recent investor. But ending such an important principle would raise

Media and electronic deals jump

By Paul Taylor

The value of media and content services merger and acquisition deals in Europe and North America more than quadrupled to \$20.1bn during the first half of this year, according to Broadview Associates, the specialist M&A bank.

The figure, driven by a number of large deals on both sides of the Atlantic, was almost as much as the total for the whole of 1995. The number of deals rose 31 per cent to 313 compared with 239 a year ago.

Media and content services deals include all those in the media, electronic

information and entertainment sectors.

"Digital media, and its delivery over the World Wide Web, is forcing content owners to rethink pricing and delivery strategies and to 'own' their end customers," said Broadview.

"As a result, boardrooms are swash with corporate restructuring as media groups recognise the need for business focus."

"Focus means divesting non-core activities and acquiring or investing in businesses and technologies that are going to be strategic in the future. The nimblest media giants are staking out their territory by making

strategic, fill-in acquisitions, the brave are investing in new technologies and others seem to be struggling to find 'true north'."

According to Broadview, there is no shortage of targets because of the new generation of entrepreneurial media companies eager for the funding and market access that a deal with an established group can bring.

"Given the pace and the inevitability of change, those who rest on their laurels will be eclipsed sooner than they imagine," warns Broadview.

Among the deals in the first half, 127 were Internet-related, in particular there was a spate of investments

by large media groups in companies such as Yahoo! of the US which operate Web search engines - systems to help people find their way around the World Wide Web.

"Becoming aligned with one or more Web search engines ensures a place at the Internet table," said Broadview.

Looking ahead, Broadview predicts the global battle over the delivery of digital entertainment services by satellite "cannot fail to drive M&A activity over the next few years. The opportunity is just too big, and the risk/reward ratio too acute for even the most hushful to consider going alone."

UK distributor agrees sale of testing unit for \$592m

By Geoff Dyer in London

Inchcape of the UK has agreed to sell its Testing Services business for about \$592m (\$592.8m) to a consortium of investors led by Charterhouse and Bankers Trust, two financial institutions.

The move forms part of a streamlining programme introduced by the new chairman, Sir Colin Marshall, and new chief executive, Mr Philip Cushing.

The proceeds will be used to reduce the distribution and services group's \$463m debts and will allow it to invest in its vehicle distribution and Coca-Cola bottling operations.

est insurance broker.

It refused to comment on the sale. The consortium is understood still to be conducting due diligence and a formal announcement is expected by the time of Inchcape's interim results on September 23 at the latest.

The bulk of the interest in Testing Services is believed to have come from leveraged buy-out funds as the company has few competitors of equivalent size.

The consortium, which beat off competition from six other shortlisted investors, is expected to keep the company's existing management. Testing Services specialises in checking product quality and certifying performance standards for importers and exporters, as well as the testing and assessment of crude oil. In 1995 the company made operating profits

of \$27.8m on turnover of \$224m.

Inchcape is also preparing listing particulars for a demerger of Bain Hogg before the year-end, with investors being offered free shares in the company. However, a final decision on the move has not been taken.

The weakness of the insurance market has led Inchcape to abandon its chosen options of a trade sale or flotation of Bain Hogg, although the group is understood still to be open to offers for the retail broker.

Sir Colin, the British Airways chairman who joined Inchcape in January, unveiled the new strategy in March. It was prompted by a fall in the shares from more than 60p three years ago to a low this year of 22p. They have since recovered to 28p at Friday's close.

STATISTICS

Table with 2 columns: Category and Value. Base lending rate 23, Company meetings 6, Dividend payments 8, FTSE-100 World indices 20, FT Guide to currencies 21, Foreign exchanges 23.

Table with 2 columns: Category and Value. London recent issues 23, London share service 24-25, Managed fund service 26-28, Money markets 23, New int bond issues 21-22, World stock ind indices 29.

COMPANIES IN THIS ISSUE

Table with 2 columns: Company Name and Page Number. Aras-Sarona 19, Macif 17, Argos 20, Microsoft 16, BSKyts 20, News Corp 20, Bankers Trust 17, Norton Publicidade 19, Barrick Gold 18, Orange 20, Charles Taylor 19, Principes Metropole 20, Charterhouse 17, Publicis 19, Credit Suisse 2, Rentokil 20, Deutsche Telekom 20, Romero y Asociados 19, Eni 20, Royal Nedlloyd 20, Gambro 17, SAP 18, Hines 20, Sandvik 18, ING 20, Soor 20, Shanghai Petrochem. 19, Inchcape 17, Stato Bank of India 20, Kenesha City P&L 18, Telsa 18, Kemira 20, Thistle Hotels 20, Lite-On 20, Verity 18, Lloyd's of London 17, Volvo 20, Lonrho 20, Westwam Resources 18, Lucas Inds 18, Winstarthur 18.

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COMPANIES AND FINANCE

Lucas ready to make disposals

By Rose Tieman
Sizeable disposals are expected from Lucas Industries' electrical and electronics business...

Land Rover, is focusing his attention on the UK group's vehicle electrical arm...

The business has more than 20 plants in Europe, America, Asia and Africa. It makes a broad range of components...

Rice, the Vartiv chief who will head the combined group, is keen to take LucasVartiv out of businesses where it cannot be a leader...

Investors approve Normandy plan to consolidate
The long-planned merger of Normandy, the Australian mining group, with PosGold...

Sandvik upbeat despite fall of 15% midway

By Hugh Carnegie in Stockholm
Sandvik, one of Europe's top engineering companies, joined the ranks of Swedish export companies hit by weak market demand...



Percy Barnevik, chairman

Earnings per share slipped from SKr7.20 to SKr6.40 and investors reacted coolly. Sandvik shares fell SKr1.5 on Friday after the announcement to close at SKr144.5.

Sandvik is set to take full control of Tampella but has been thwarted from a full takeover of Kanthal by the controlling shareholders...

A quilt that could smother the unwary

Europe has proved a slog for pioneers among US fund managers, reports John Gapper

In theory, there could hardly be a more enticing prospect. As the growth of mutual funds assets slows in the US, the virgin territory of Europe beckons for many medium-sized US mutual fund managers...

according to a study published this month by the US consulting firms Cerulli Associates and Lipper Analytical Services.

harder for us to break into the lower end of the market, and it is more profitable to stay selective anyway," he says.

Thistle books in for listing

By Geoff Dyer
Thistle Hotels, the UK's second largest hotels company, is expected to announce plans for an October flotation with a market value of £1bn-£1.5bn (\$1.56bn-£2.34bn).



Robert Peel: from fish and chips to four-star hotels

The Thistle flotation reflects the desire of Berkeley, the New Zealand group, to reduce its 70 per cent holding. However, it is not yet clear what size of stake will be offered to investors.

first half results this week, which are expected to show a 25 per cent improvement in profits to about £25m.

FUND MANAGEMENT
but have strong loyalties to their regions.

Mr Richard Westcoat, Fidelity's director of European retail fund sales, says that it believes it can make significant inroads into the European market. It has already attracted relatively young investors with an average age of 35 in Germany...

Some US firms have not even tried. Citibank, which is among the biggest retail fund managers in Europe, works through its 300-branch network.

Charles Taylor set for London quote

By Ralph Atkins, Insurance Correspondent
The group specialises in advising and managing mutual insurance associations set up within a variety of industries to provide cover when conventional insurers are unable or unwilling to provide low-cost protection.

Charles Taylor, the UK specialist insurance management services provider, will announce today plans for a London Stock Exchange listing, creating a group expected to have a market value of about £30m (\$46.8m).

Tele Danmark in pact with Telia

By Andrew Arnold in Copenhagen
Tele Danmark, the state-controlled communications company, has signed an interconnection agreement with Sweden's Telia.

also believed to be keen to enter the Danish market. A Tele Danmark spokesman said the price agreed for calls was the same for both companies.

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Table with multiple columns showing financial data, likely interest rates or bond yields, with headers like '12 month purchase price' and '12 month purchase price'.

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Large vertical advertisement on the right side of the page, partially obscured, with text including 'Kansas C' and 'Publicis exp'.

Large horizontal advertisement at the bottom of the page, containing Arabic text and a logo.

COMPANIES AND FINANCE

Kansas City Power bid war heats up

By Richard Tomkins
in New York

Western Resources, the Kansas-based electricity company making a \$1.9bn hostile bid for the neighbouring Kansas City Power & Light electricity utility, looks set for victory following a crucial vote on Friday. It would be the first successful hostile bid in the current wave of mergers between US electricity utilities.

Mr John Hayes, Western Resources chairman and

chief executive, claimed that Kansas City Power & Light had failed to gather enough shareholder support for its agreed bid with UtiliCorp, leaving the way open for Western Resources to proceed with its own offer.

Before Western Resources intervened, Kansas City Power & Light had agreed to a friendly takeover by UtiliCorp, another Kansas-based electricity utility, for \$1.8bn. That offer was later raised to \$1.7bn in the face of Western Resources' hostile approach.

Earlier this month a federal judge in Missouri delivered a setback to the planned UtiliCorp merger by ruling that two-thirds of all Kansas City Power & Light shares would have to be voted in favour if the deal were to be approved, rather than 50 per cent.

On Friday, Kansas City Power & Light held a special meeting of shareholders to vote on the UtiliCorp merger. Afterwards, Western Resources said it estimated that proxies opposing the

UtiliCorp merger or abstaining totalled 27.1m, or 53 per cent of the total vote cast.

Western Resources' Mr Hayes said: "It is clear that KCPL's management failed to achieve the legally-required two-thirds vote to complete their proposed merger with UtiliCorp, and we believe they have failed to receive even a simple majority of those voting today."

Western Resources will now start lobbying Kansas City Power & Light's share-

holders to support its own offer, worth \$31 a share in Western Resources stock. The initial closing date is September 20, but seems likely to be extended.

Kansas City Power & Light said a preliminary tabulation of the vote would not be available until September and urged shareholders not to tender their shares to Western Resources in the meantime. UtiliCorp said it would wait the outcome of the vote before deciding its next move.

David Lowell has sold out to Barrick Gold

Arequipa sale nets founder C\$87m

David Lowell's achievements as a geologist already have secured him a place in the Mining Hall of Fame. Now they have also made him a very rich man. At the weekend he was celebrating after agreeing to sell the company he set up four years ago to Barrick Gold, North America's biggest gold producer, for more than C\$1bn (US\$728m) and on terms that value his personal holding at C\$87m.

It is for copper rather than gold that Mr Lowell won his place in mining history. In 1970 he wrote a paper about a different way of finding big copper deposits. Since then, many other geologists have successfully employed that theory. He, himself, has collected six "finder's fees" for copper projects, culminating in the 1981 discovery of Escondida in Chile, now the world's biggest copper mine.

The Escondida discovery would have allowed him to retire and live comfortably for the rest of his life. Instead, Mr Lowell, who is now 68, set off to test his theories in Peru.

In South America he met Ms Catherine McLeod, daughter of a Canadian mining entrepreneur and then working for stockbroker



David Lowell and Catherine McLeod: met in South America

Yorkton Securities in Santiago. Previously Mr Lowell had acted as a consultant for other companies. When Ms McLeod realised the potential of the properties he had assembled in Peru, she persuaded him to set up his own company instead. He later appointed her president.

Arequipa was launched on the Vancouver exchange late in 1994 at 78 Canadian cents a share. In January this year the shares were trading at C\$2.50. Barrick bid C\$27 cash in July but had to lift the offer to C\$30 to win the backing of Mr Lowell and Ms McLeod.

Ms McLeod is now 38. Her shares and options are worth about C\$17m and several other Arequipa directors and employees are now dollar millionaires.

Arequipa's prime asset is the Pierina gold deposit, 400km north of Lima. Are-

quipa had sunk only nine drill holes into Pierina before the Barrick bid and these suggested there might be 3.5m Troy ounces of gold there. Barrick obviously believes there is much more. So do Mr Lowell and Ms McLeod. During the five weeks while the first bid was on the table, Arequipa speeded up drilling on the site and the results were encouraging.

Mr Lowell says the new bid offers Arequipa shareholders the chance to benefit from further discoveries at Pierina or the several other projects the company has been developing in Peru because Barrick is now offering cash or a shares-and-cash alternative.

"I personally will elect to receive a substantial portion of my consideration in Barrick stock," he says.

Kenneth Gooding

Swiss infertility specialist lifts profits by 70%

By William Hall in Zurich

Ares-Serono, the Swiss pharmaceutical company which is the world leader in the treatment of infertility, has underscored its position as one of Switzerland's top size of total net income. In the latest six months, the \$67.2m invested in R&D is still more than three times net income.

However, the rate of increase in R&D spending dropped to less than 2 per cent in the latest half-year and this, combined with a 15 per cent rise in sales to \$375.5m, led to the strong profit growth.

Ares-Serono shares jumped nearly 6 per cent on Friday to SFr1.185 on the results. They have been one of the best performers on the Swiss stock market this year, pushing the company's market capitalisation up to SFr3.1bn (\$2.6bn). The

shares, which have risen 46 per cent this year, are currently trading on 65 times prospective 1996 earnings.

Mr Ernesto Bertarelli, who took over as chief executive in January from his father, said the performance was particularly pleasing since it had been achieved despite continuing charges against the gross margin relating to the switch in production from extractive to recombinant technology. He expects the positive trend in sales and profits to continue in the second half.

European pharmaceutical sales rose by 15.4 per cent. But there was a marked difference in individual markets, with sales increases of 65.4 per cent and 47.4 per cent in the UK and Germany respectively, offsetting a 14.8 per cent fall in Spain and a 3.9 increase in Italy.

Sales in the Asia Pacific region rose by 65.3 per cent but in Japan they fell by 15.7 per cent. The company says the setback in Japan came from a weaker yen and government-enforced price cuts.

Apart from its traditional strong position in the \$650m-a-year market for infertility treatment, Ares-Serono has been expanding its activities in growth hormones and immunology products and has seven recombinant drugs under development.

Shanghai Petrochemical buys fibre plant

By John Riddling
in Hong Kong

Shanghai Petrochemical, the Chinese group which is listed in Hong Kong, announced that it is to buy a Shanghai-based acrylic fibre plant for Yn\$8.8bn (\$4.7m).

The deal marks the first acquisition by the Chinese petrochemical concern. It is intended to increase its market share and improve competitiveness. It also marks a step towards consolidation in the sector, which has been hit by overcapacity.

The plant, to be acquired from Shanghai Jiushi Company, produced 26,800 tonnes of acrylic fibre last year. Turnover reached Yn\$580m and gross profits Yn1.88m. Total assets are estimated at Yn\$650m.

Shanghai Petrochemical says the acquisition will raise its share of Chinese acrylic production from 32 to 44.5 per cent, and enable a reorganisation of its facilities. Economies of scale, and reduced production costs and overheads were cited as additional incentives.

"The company's management expertise and its dominant position in the industry will lead to improvements in the operating efficiency of the plant," said Mr Wu Yixin, president of Shanghai Petrochemical.

Total acrylic production after the acquisition is expected to rise to about 92,000 tonnes, supporting Shanghai Petrochemical's expansion drive.

However, financing for this strategy has been complicated following the group's recent decision to

shelve a placement of new shares in the face of weak demand from international investors.

Beijing Power Generation is seeking to become the first mainland Chinese company to be listed on the London stock market. The listing would be in conjunction with the issue of shares and a primary listing on the Hong Kong stock exchange.

Chinese financial officials declined to comment on the possible timing of the move, and said that the company was one of several candi-

dates for an international listing. Four mainland power companies have already issued shares abroad and two have been listed in New York.

Anti-inflation policies in China, the resulting tight control of tariffs, and weak demand for international issues by mainland companies have slowed the listing process for power firms. However, signs of an upturn in the Chinese economy are encouraging companies to push ahead with capital raising schemes.

Publicis expands abroad

By David Owen in Paris

Publicis, the French advertising and publicity agency, is beefing up its international presence through substantial acquisitions in Brazil and Mexico. The group is acquiring 60 per cent of Norton Publicidade, Brazil's 12th-largest advertising agency, and 51 per cent of Romero y Asociados de Mexico. The terms were not disclosed.

The acquisitions are expected to be the first in a series made abroad by the company, which has had a working relationship with Three North, a large US advertising agency, since 1988. Mr Maurice Levy, chair-

man and chief executive, said the deals represented "an important stage in our geographic development through our presence in the most populous and most economically promising countries in the Americas".

He said the transactions provided "solid proof of our will and our ability to serve and accompany our clients on world marketplaces".

Norton, which had 1995 billings of \$90m and this year celebrates its 50th anniversary, is based in São Paulo and employs 160 people. Its clients include Nestlé, the food giant, and the Brazilian postal service.

Romero, which also has Nestlé among its clients,

traces its origins back to 1951. The agencies will be known respectively as Publicis-Norton and Publicis-Romero.

Publicis, Europe's second-largest advertising and publicity agency, had billings in 1995 of \$4.1bn. It recently reported first-quarter 1996 turnover of FF4.9bn - a 6 per cent increase year-on-year.

Earlier this year, Ms Elisabeth Eschinger, the writer, took over as chairman of the group's supervisory board following the death at the age of 89 of her father, Mr Marcel Bleustein-Blanchet, the agency's founder. The family remains the majority shareholder.

S&P cuts triple-A rating on Winterthur

By William Hall

Winterthur has become the first of the big three Swiss insurance companies to lose its triple-A rating in less than a month.

Standard & Poor's, the US credit rating agency, has lowered its rating on the claims-paying ability of Winterthur Swiss Insurance Co to double A minus.

Winterthur said that it disagreed with S&P's assessment and stressed that the amount of capital the rating agency required for its triple-A status "greatly exceeds" the EU requirements which Winterthur has "always more than fulfilled".

The Rank Group Plc

This advertisement is issued in compliance with the requirements of the London Stock Exchange Limited (the "London Stock Exchange"). It does not constitute an offer or form part of any offer or invitation to sell or issue, or any solicitation of an offer to purchase or subscribe for, any shares in the Rank Group Plc (the "Company").

Applications have been made to the London Stock Exchange for the whole of the ordinary share capital and convertible preference share capital of the Company issued and to be issued to be admitted to the Official List of the London Stock Exchange. It is expected that admission to the Official List will become effective and that dealings in such shares will commence on 7 October 1996.

The Rank Group Plc

(Incorporated and registered in England and Wales under the Companies Act, 1985, with registered No. 3140769)

Introduction to the Official List

Sponsored by

J. Henry Schroder & Co. Limited

Share capital following the introduction

	Authorised		Issued and fully paid*	
	Number	Amount	Number	Amount
Ordinary shares of 10p each	1,200,000,000	£120,000,000	835,307,532	£83,530,753
Convertible preference shares of 20p each	300,000,000	£60,000,000	227,552,614	£45,510,523

*On the basis of the issued share capital of The Rank Organisation Plc as at 14 August 1996.

Copies of the listing particulars in relation to the Company have been published and will be available for inspection during normal business hours on any weekday (Sundays, public holidays and bank holidays excepted) at the registered office of the Company at 6 Connaught Place, London W2 2EZ and at the offices of *Practicalists* at 65 Fleet Street, London EC4Y 1HS up to and including 12 September 1996.

In addition, copies of the listing particulars in relation to the Company may be obtained, for collection only, for two business days from the date hereof from the Company's Announcements Office, London Stock Exchange, London Stock Exchange Tower, Capel Court entrance, off Bartholomew Lane, London EC3N 1HP.

19 August, 1996

SIGMA SECURITIES S.A. - MEMBER OF THE ATHENS STOCK EXCHANGE

ATHENS STOCK EXCHANGE August 9th - August 16th 1996				GREECE	
ASE INDEX	983.30	PIE (index) 986/950	11.0/11.4	GDP (USD bn) 956	122.46
%Chg (prev)	-2.26	PIE (GROWTH) (%) 950	9.2	Per Capita Income (USD)	11,530
Yearly High	1025.00	PIE (SE) GROWTH (%) 950	1.20	Interest Rate (3M YOY %)	8.60
Yearly Low	870.00	PIE (SE) GROWTH (%) 950	0.5/0.8	August 12 M-T 08 (m %)	32.80
Weekly Vol. (USD m)	56.85	PIE (SE) GROWTH (%) 950	2.3/2.7	4-Month Alpha (m %)	12.56
%Chg (Prev. Wk)	-52.60	PIE (SE) GROWTH (%) 950	8.0/4.8	GROUPS	237.85
1 Yr Vol. (USD m)	145.53	PIE (SE) GROWTH (%) 950		A.S.E. Market Capitalisation - 16/8/96 (USD bn)	23.21
		PIE (SE) GROWTH (%) 950		FOC & Rights Issues (USD m) Jan 1 95-Aug 16 96	544.77

Bank of Communications
(The Development Bank of the Republic of China)
U.S. \$100,000,000
Floating Rate Notes due 2001
(4.75% 7 Year)

NOTICE IS HEREBY GIVEN in accordance with the Terms and Conditions of the Notes, any Noteholder may require the Bank to redeem any Note held by such Noteholder as to principal amount on the Interest Payment Date falling on 31st October, 1996.

Principal Payment Agents:
Bankers Trust Company
1 Avenue Lafayette
London EC2A 4JH

Trustee: Citicorp
Citibank N.A.
30 Broadway
London EC2A 4JH

Swiss Bank Corporation
Paradeplatz 6
CH-8001 Zurich

Banque Paribas
15 Boulevard de la Woluwe
1200 Brussels

19th August, 1996

Cheung Kong Finance China Limited
(Incorporated in the Cayman Islands with limited liability)
U.S. \$350,000,000
Exchangeable Guaranteed Floating Rate Notes

guaranteed by
Cheung Kong (Holdings) Limited
(Incorporated in Hong Kong with limited liability)
and Cheung Kong Holdings (China) Limited
(Incorporated in Hong Kong with limited liability)

Notice is hereby given that for the Interest Period 15th August, 1996 to 15th November, 1996, the Notes will carry a Rate of Interest of 6 per cent per annum. The Interest Amount per U.S. \$250,000 Note will be U.S. \$13,333.33 payable on 15th November, 1996.

London Stock Exchange Stock Exchange

Bankers Trust Company, London Agent Bank

HYPOBANK
Bayerische Hypothek- und Wechsel-Bank
Aktiengesellschaft

US\$150,000,000
Subordinated Collared Floating Rate Notes 2003

Notice is hereby given that the notes will bear interest at 5.475% per annum from 19 August 1996 to 19 February 1997. Interest payable on 15 February 1997 will amount to US\$132.96 per US\$5,000 note.

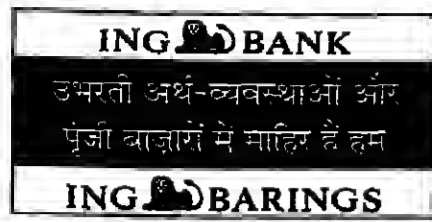
Agent: Morgan Guaranty Trust Company
JPMorgan

J.P. Morgan & Co. Incorporated

US\$200,000,000
Subordinated Floating Rate Notes due August 2002

In accordance with the provisions of the notes, notice is hereby given that for the Interest Period 19 August 1996 to 18 November 1996 the notes will carry an interest rate of 5.375% per annum. Interest payable on the relevant interest payment date 18 November 1996 will amount to US\$7.93 per US\$5,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan



FINANCIAL TIMES MARKETS THIS WEEK



Global Investor / Philip Coggan

Bull run for emerging markets?

Even if the Federal Reserve does not raise interest rates this week, chances are that US monetary policy will soon be tightened. And that is a danger for emerging markets, which have strong trade and currency links with the US, and which suffered badly when rates were raised in 1994.

The prospect of a Fed tightening may be responsible for taking the shine off emerging markets so far this year. Having been 12.8 per cent ahead by May 1, the IFC composite index has since dropped by 4.5 per cent. However, Ms Nancy Curtin, who runs the Emerging Classics fund, thinks that, although negative in the short term, a Fed rate increase should not derail

emerging markets as they go into 1997.

She says corporate earnings growth was always going to be sluggish this year, because of the measures taken to reduce overheating in Asia and the aftermath of the currency crisis in Latin America. However, earnings growth should pick up towards the end of 1996 and into 1997.

On the valuation front, emerging markets look cheap relative to the developed world, on a price-to-cash flow and price-to-book basis. And while the global liquidity background may be deteriorating, domestic liquidity should improve as, particularly in Asia, governments reduce high real interest rates imposed to combat overheating.

Doubts have recently started to be raised about whether Asia's phenomenal growth can be sustained, as rising real exchange rates and sluggish economic growth in the developed world have hit the region's export prospects.

But with economic growth widely expected to pick up in Japan and Europe in 1997, and no substantial slowdown feared in the US, Asia's problems may be cyclical rather than structural. And after disappointing years in 1994 and 1995, emerging markets are surely due a bull run.

The US proved a tough target to beat; investors also had to be nimble to get in and out of the technology sector at the appropriate times. Markets outside the US were also difficult. Those who invested in Tokyo lost most of their gains if they left their yen exposure unhedged; with the exception of Switzerland, dollar-based investors lost out if they went outside the US.

Small wonder, therefore, that indexed management remains popular. But Mr Patrick Moriarty and Mr Robert Jaeger of Evaluation Associates Capital Markets, which tracks the performance of investment funds, have produced a paper arguing the merits of active management.

They point out that some

markets are much more efficient than others. It was relatively easy for US small cap managers to beat the Russell 2000 index last year and bond managers have been able to beat their benchmarks by about 50 basis points over five years.

They also highlight the highly-concentrated nature of some indices. The top 10 names in the S&P 500 make up 17 per cent of the index; the biggest four of the 24 countries in the emerging markets index represent 48.4 per cent. "The active manager starts off with a more genuinely diversified portfolio, but the resulting 'tracking error' will sometimes work against him, in which case the lower return is a product of lower risk" BACM argues.



Total return in local currency to 15/8/96

	US	Japan	Germany	France	Italy	UK
Cash	0.10	0.01	0.08	0.07	0.17	0.11
Week	0.08	0.04	0.08	0.01	0.07	0.48
Month	0.06	0.04	4.51	6.00	10.75	7.31
Year	0.06	0.04	4.51	6.00	10.75	7.31
Bonds 3-5 year	-0.14	0.17	0.20	0.01	-0.09	0.08
Week	-0.16	0.88	1.16	0.88	1.11	0.83
Month	0.28	0.57	9.20	11.03	16.77	10.19
Year	5.95	4.87				
Bonds 7-10 year	-0.11	0.25	0.21	-0.04	-0.34	-0.01
Week	-0.12	0.21	0.79	1.45	1.80	1.42
Month	5.7	2.9	0.4	8.3	-8.7	16.0
Year	21.1	14.7	16.1			
Equities	-0.1	0.7	0.2	-0.8	-1.3	0.8
Week	-0.1	0.7	0.2	-0.8	-1.3	0.8
Month	5.7	2.9	0.4	8.3	-8.7	16.0
Year	21.1	14.7	16.1			

Source: FTSE International Ltd. Data as of 15/8/96. All figures are in % unless stated otherwise. US Dollar Index: 115.12. UK Pound Sterling: 1.55. German Mark: 1.36. French Franc: 6.55. Italian Lira: 1,936. Japanese Yen: 147.99. Swiss Franc: 1.48. Australian Dollar: 1.54. New Zealand Dollar: 1.28. Canadian Dollar: 0.71. Hong Kong Dollar: 7.75. Singapore Dollar: 1.36. South African Rand: 4.66. Australian Dollar: 1.54. New Zealand Dollar: 1.28. Canadian Dollar: 0.71. Hong Kong Dollar: 7.75. Singapore Dollar: 1.36. South African Rand: 4.66.

COMPANY RESULTS DUE

Fall expected at Volvo despite capital gain

Volvo, the Swedish carmaker, is expected to report pre-tax profits of between SKr3.21bn and SKr4.43bn (\$671m) on Wednesday for the six months to June.

Profits last time were SKr5.35bn.

Included in the result will be a SKr533m capital gain.

Last week the company announced restructuring measures in its North American truck unit, Volvo GM Heavy Truck Corp, following weak sales.

The unit is 13 per cent owned by General Motors. Some analysts had warned

that poor US sales could push Volvo Truck into a second quarter operating loss.

Royal Nedlloyd: Analysts expect the Dutch transport group to report a second quarter net loss of F1.6m-F1.14m (\$3m-\$8m) from ordinary operations on Tuesday. However, an extraordinary gain of about F1.25bn is expected from the sale of Neddrill.

Including first-quarter results, analysts are forecasting a first-half net loss of F1.9m-F1.30m against profits of F1.38m before a F1.58m extraordinary gain.

ING Group, the Dutch financial services company, is expected on Thursday to announce net profits of between F1.48bn and F1.54bn (\$89m-\$928m) for the 5m mark for UK subscribers for the first time.

This week's results will

half of 1995 were F1.18bn.

Analysts expect its banking arm to remain the main source of profit growth.

News Corporation is expected to reveal a slight decline in full-year profits on Thursday, with analysts predicting about A\$1.4bn (\$1.09bn) pre-tax, compared with A\$1.46bn. The figure reflects the continuing cost of the national newspaper price war in the UK and the price of establishing Stat TV, the satellite television venture in Hong Kong.

One bright spot for News Corp will be the results of British Sky Broadcasting due to be announced on Tuesday. BSkyB is expected to produce pre-tax profits of about £250m (\$390m) against £155m. The satellite venture will report that it has passed the 5m mark for UK subscribers for the first time.

This week's results will



also be the last time that News International, the UK business, are reported separately. News Corp is in the process of buying out the minority shareholders.

Rentokil, the UK business services group, will face some tough questions about its £2.1bn (\$3.27bn) acquisition of BET when it reports interim results on Thursday.

being reviewed and distribution in North America is another possible candidate.

Other questions are likely to focus on plans to improve margins at BET's underperforming cleaning, catering and personnel businesses.

The lack of information since the May acquisition has led some to suggest the integration of BET's activities is proceeding slowly.

Analysts are forecasting first-half pre-tax profits of £130m-£140m, before any restructuring charge related to the acquisition, including a two month contribution from BET.

Compared with £92.2m last year, this is comfortably ahead of the 20 per cent growth target which Rentokil has achieved for the last 14 years.

The group is expected to show a strong improvement from its south Asian, North American and UK businesses, while some slow-down is forecast for its continental European operations.

The shares have weakened prior to the results as some analysts have raised doubts about the quality of the assets Rentokil has acquired. The shares are on an ambitious forward multiple of about 24, and will need a strong set of results to maintain that level.

Argos, the UK catalogue retailer which returned £27m (£198m) to shareholders via a special dividend earlier this year, is expected to maintain the momentum which has made it one of the UK's most admired retailers when it reports half-year figures today.

Analysts expect profits to rise from £21.8m to £25m-£28m. The group still has plenty of cash on its balance sheet, and the City of London will be interested to

hear if its expansion plans have taken further shape.

Orange, the UK mobile telecoms group is expected to report pre-tax losses of between £125m and £135m (£211m) on Tuesday. Because of its flotation in March, there are no comparable figures. For the full year it reported losses of £175m.

Analysts do not expect a dividend to be paid at this stage as the company continues to develop its digital mobile network and subscriber base across the UK.

However, they will be hoping for positive news on new subscribers and perhaps some fresh marketing initiatives to help revive its flagging share price. Since coming to the market at 205p, the shares have drifted down to 184p over US coolness towards new technology stocks and disappointment over sales in the UK market.

ABN-AMRO Holding N.V.

established at Amsterdam

INTERIM DIVIDEND 1996

The Managing Board of ABN AMRO Holding N.V. herewith announces that it has been decided, with the approval of the Supervisory Board, to distribute an interim dividend for the 1996 financial year of NLG 1.80 per ordinary share of NLG 5 value.

The interim dividend will be payable, at the shareholder's option, either wholly in cash or wholly in ordinary shares chargeable to the share premium reserve.

Shareholders are given the opportunity until the close of the Amsterdam Stock Exchange on September 13, 1996 to indicate their choice. Failing notice by that date, holders of shares will receive the dividend in cash, minus 25% dividend withholding tax.

On September 13, 1996, after the close of trading on the Amsterdam Stock Exchange, the number of stock dividends entitling to one new share will be determined on the basis of the average quotation for that day. The value of the stock dividend will be between 2% and 5% lower than the value of the cash dividend.

To round stock dividend holdings to exchangeable numbers, the stock dividends can be traded on the Amsterdam Stock Exchange from September 16 up to and including September 20, 1996.

The calendar is as follows:

August 16, 1996	: Ex-dividend quotation
August 19 - September 13, 1996	: Period for instructions concerning dividend options
September 13, 1996	: Determination of stock dividend (after close of trading)
September 16 - 20, 1996	: Trading in stock dividends to round holdings to exchangeable numbers
September 25, 1996	: Interim dividend payable

Shareholders who have deposited their securities with a bank or stockbroker are requested to notify their choice within the determined period, through their bank or stockbroker, to National Westminster Bank PLC (Crowley) or to ABN AMRO Bank N.V., Herengracht 595, 1017 CE Amsterdam, the Netherlands. If you, as shareholder, do not notify your choice at your bank within the determined period, your bank or stockbroker will make a choice for you in general. Shareholders who have not deposited their securities with a bank or stockbroker are requested to notify their choice direct to the bank's above address. Holders of registered shares, whose names have been entered in the ordinary share register, will be notified individually of the interim dividend.

The new ordinary shares rank for the final dividend for the 1996 financial year and the full dividend for ensuing financial years. Interim dividend taken in the form of ordinary shares is chargeable to the share premium reserve and therefore exempt from Dutch withholding tax and income tax.

The ordinary share interim dividend will become payable on September 25, 1996.

ABN AMRO Holding N.V.

Amsterdam, August 15, 1996

CITIBANK N.A.
 acting through its Brazil Branch
 US\$70,000,000 Brazil Floating Rate Notes due August 17, 1997

Notice is hereby given that the Rate of Interest has been fixed at 9.1875% and that the interest payable on the relevant Interest Payment Date February 18, 1997 against Coupon No. 5 will be US\$4,670.00 in respect of US\$10,000 nominal of the Notes, US\$4,670.30 in respect of US\$100,000 of the Notes and US\$11,675.75 in respect of US\$250,000 of the Notes.

August 19, 1996, London
 By: Citibank N.A. Corporate Agency and Trust, Agent Bank **CITIBANK**

CITICORP
 U.S. \$250,000,000
 Subordinated Floating Rate Notes Due August 2003

Notice is hereby given that the Rate of Interest for the period August 19, 1996 to November 19, 1996 has been fixed at 5.5% and that the interest payable on the relevant Interest Payment Date November 19, 1996, against Coupon No. 14 will be US\$7,280 in respect of US\$5,000,000 nominal of the Notes and US\$1,405.60 in respect of US\$100,000 nominal of the Notes.

August 19, 1996, London
 By: Citibank N.A. Corporate Agency and Trust, Agent Bank **CITIBANK**

Sprinting for the autumn rush

Activity in the international equity market has ground to a halt in the last few weeks as most syndicate managers squeeze in some holiday before what is set to be a busy autumn for the market.

"The calendar for September and beyond is looking very crowded," said one of the few syndicate managers to be found at their desk last Friday. According to estimates by Salomon Brothers, the volume of international equity offerings in the third quarter could total \$10bn, or \$15bn if the Italian government decides to launch a secondary offering of shares in Eni, the energy company, before the end of September.

Banks are in a rush to get deals off the blocks soon after the summer break in order to avoid the swell of issues scheduled for the final quarter of the year. Salomon estimates that volume in the October-December period

could top \$25bn, inflated by the \$10bn part-privatisation of Deutsche Telekom which is due to take place in November.

In view of the large demands which will be made on the primary equity market for the rest of the year, bankers are thankful that secondary markets have recovered their composure after the weakness in mid-July. "It is encouraging to see the markets in better shape," said one banker.

The improved market sentiment was reflected in the successful secondary offering by SAP, the German software company. The \$850m deal was 4% times subscribed, a stronger-than-expected result in view of the heavy selling of technology stocks during July.

Hotel flotations are expected to be a feature during the next two months. SBC Warburg is preparing the flo-

tation of Princess Metropole Hotels, currently part of Lohrlo. The flotation, which could value the company between \$900m and \$700m, is set to go ahead in September. The shares will be marketed in Britain, continental Europe and the US - where the Princess chain of resort hotels is best known.

The Princess Metropole offering follows a flurry of hotel flotations, including Millennium & Copthorne, Regal, Jarvis and Macdonald and Spain's Sol Media group, during a period of strong recovery in the market.

Another candidate is Thistle Hotels, the UK's second largest hotels company. Its parent company, New Zealand-based Brerley Investments, is set to make a decision early this week on whether to proceed.

If the Thistle flotation goes ahead, the likely timetable will be early October. Berlin

Brothers and Merrill Lynch have been appointed as advisers, with the latter earmarked to be the bookrunner of the offering. Analysts have attached a tentative price tag of \$1bn to the company.

Other deals which are set for September include Global Depository Receipt offerings from the State Bank of India, via Lehman Brothers, and Lite-On, a Taiwanese technology company, via BZW.

Europe is also expected to be active, with a secondary offering from Scor, the French reinsurance group, and a large convertible offering from Germany likely to emerge during the next month.

The Finnish government is also believed to be considering a further sale of shares in Kemira, the chemicals group which is 72.3 per cent state-owned after being partially privatised in 1994.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

REGIONAL MARKET	US Dollar	Local	FRIDAY AUGUST 16 1996				THURSDAY AUGUST 15 1996				DOLLAR INDEX					
			Index	% chg	Point	% chg	Index	% chg	Point	% chg						
Australia (60)	200.87	5.7	192.25	198.90	195.98	170.37	0.3	4.29	198.41	190.26	138.24	164.01	198.85	212.16	177.98	178.99
Austria (64)	179.20	2.1	171.80	182.21	180.14	180.07	7.2	2.02	179.20	171.33	132.25	138.40	198.26	212.16	177.98	183.47
Belgium (67)	215.70	3.1	208.29	147.10	187.48	183.67	7.8	4.07	215.91	208.44	147.30	158.78	183.04	212.82	198.05	185.47
Brazil (69)	181.10	31.3	173.42	123.81	140.81	237.71	86.9	1.89	181.29	172.75	130.00	133.40	163.21	195.12	278.80	278.80
Canada (118)	180.81	8.2	183.80	108.54	124.71	165.73	9.0	2.25	185.79	172.75	130.00	133.40	163.21	195.12	278.80	278.80
Denmark (80)	315.85	6.4	302.58	218.47	245.82	248.14	14.0	1.85	314.45	301.83	215.22	243.86	245.53	195.12	194.14	147.20
Finland (82)	238.06	11.2	198.24	141.80	161.25	185.57	14.7	2.58	208.87	192.77	130.00	133.40	163.21	195.12	278.80	278.80
France (68)	157.30	4.4	173.38	127.74	146.63	149.01	8.9	3.22	188.29	180.02	119.98	135.33	135.89	178.76	165.56	158.34
Germany (95)	174.88	0.8	167.44	119.25	136.77	136.77	11.5	1.90	176.87	168.15	128.27	141.82	263.93	212.16	349.81	351.78
Hong Kong (88)	427.28	10.2	408.14	281.38	319.74	424.25	10.2	3.43	428.84	408.11	281.18	329.67	428.84	451.19	349.81	351.78
Indonesia (67)	147.59	12.5	178.05	125.89	143.54	255.28	12.4	3.45	207.41	274.20	128.27	141.82	263.93	212.16	349.81	351.78
Ireland (16)	257.78	10.8	276.58	196.26	224.45	292.38	12.4	3.45	207.41	274.20	128.27	141.82	263.93	212.16	349.81	351.78
Italy (56)	76.47	3.6	73.22	52.15	59.27	86.78	-0.8	2.48	76.29	72.94	50.00	52.15	282.18	290.22	236.88	235.82
Japan (61)	147.59	-4.7	141.33	100.88	114.59	100.85	-0.4	0.76	148.04	141.65	101.00	114.54	92.05	94.53	87.22	80.59
Malaysia (107)	171.15	6.1	169.28	120.84	157.54	169.04	10.5	1.72	184.20	178.82	120.84	141.82	163.21	195.12	278.80	278.80
Mexico (119)	122.43	24.5	123.72	89.14	103.50	109.99	7.1	1.29	128.27	121.62	89.14	103.50	104.54	132.55	132.55	132.55
Netherlands (16)	298.80	0.5	298.22	200.84	232.02	228.54	14.5	3.16	298.53	285.52	203.73	230.84	242.96	242.96	242.96	242.96
New Zealand (16)	32.14	3.1	31.88	26.02	28.77	33.27	-2.2	2.29	31.84	28.25	26.02	28.77	27.18	290.89	245.79	248.86
Norway (98)	347.78	7.1	337.27	189.38	182.59	218.88	9.4	2.09	347.39	339.53	189.38	182.59	218.88	242.96	242.96	242.96
Philippines (22)	201.90	1.8	185.34	137.89	168.78	265.57	0.2	0.92	203.25	192.04	137.89	168.78	218.88	242.96	242.96	242.96
Singapore (14)	388.34	-4.8	371.87	284.84	301.52	322.10	-5.0	1.92	388.23	376.20	284.84	301.52	322.10	282.15	282.15	282.15
South Africa (44)	322.40	-16.3	308.73	218.87	250.53	320.00	4.5	2.94	323.82	308.81	220.91	250.10	322.92	485.21	355.81	365.81
Spain (67)	178.89	7.1	169.28	120.84	157.54	169.04	11.9	3.46	178.26	168.22	120.24	138.13	167.81	197.78	322.40	351.47
Sweden (48)	354.50	13.8	338.47	247.77	275.52	348.21	13.8	2.45	354.16	340.51	247.77	275.52	348.88	465.15	145.15	154.03
Switzerland (87)	247.32	4.8	246.28	168.67	192.03	198.78	10.4	1.80	247.12	240.51	168.67	192.03	348.88	300.77	250.13	

MARKETS: This Week

سكان من الامل

NEW YORK By Richard Whittaker

The biggest event for US securities this week is tomorrow's meeting of the policy-making Federal Open Market Committee. But it is unlikely to deliver any surprises...



A few weeks ago things looked very different, as government statistics repeatedly pointed to a heating up of economic activity. Markets tumbled on the likelihood that the Fed would lift interest rates to keep the lid on inflation.

Recent data, however, have reassured analysts that the expected slowdown in second-half economic activity is indeed taking place, making an increase in rates unnecessary.

COMMODITIES By Richard Whittaker

Copper report in the spotlight

Tomorrow's release of the London Metal Exchange's twice-weekly warehouse stocks report is likely to be scrutinised rather more keenly than usual by analysts trying to predict the direction the copper price will head in when it breaks out of its recent fairly narrow trading range.

Another substantial rise in tomorrow's LME stocks report could be taken as the signal for a serious test of support around \$1,900 a tonne for three-month delivery copper.

LONDON By William Cochrane

Investors took advantage of some thin trading volume last week to push the FT-SE 100 index to all-time intra-day and closing highs.

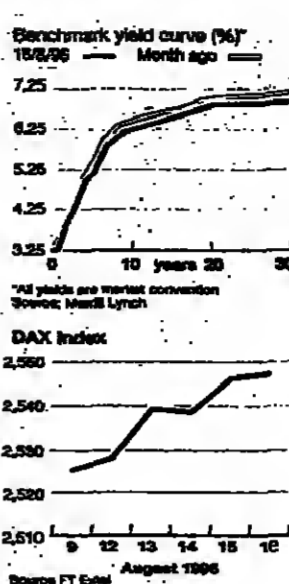


The Footsie has at last broken through the top of its 3,650 to 3,850 trading range, although Mr Brian Marber, the chartist, warns that a bearish "double top" pattern may be emerging.

With the holiday season well under way and the most significant corporate results coming from BSkyB, the satellite broadcaster, trading is likely to continue to be subdued this week.

FRANKFURT By Andrew Fisher

Traffic has been agreeably thin in Frankfurt during the August holiday - and so has speculation about interest rate cuts. But as the Bundesbank's council members get ready for work after their summer break, the guessing game has begun again in earnest.

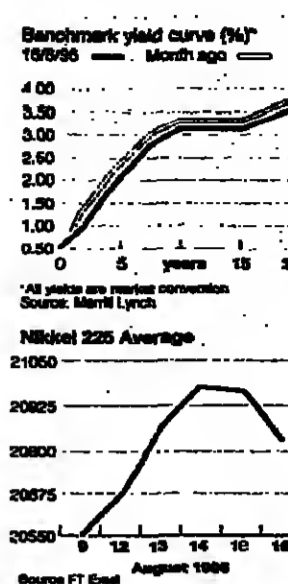


Just as they did before the break, Bundesbank directors are helping to keep the game going. Last time it was Mr Hans Tietmeyer, the bank president, who mainly fuelled hopes of cuts - however minor - in the 3.30 per cent securities repurchase (repo) rate.

The Bundesbank will also watch to see if the business sentiment index of the Ifo economic research institute shows an improvement after the unexpected June downturn.

TOKYO By Emiko Terazono

While concerns over an imminent rise in domestic interest rates have receded, most investors are expected to remain inactive ahead of economic events indicating the economic health of Japan and the US.



Bond market investors will focus on the Bank of Japan's annual quarterly survey of business sentiment due on August 28. Bond yields, however, are expected to ease slightly because of technical trading on the futures market.

Overseas investors were buying telecommunications related stocks last week, and some traders hope that a rally in the sector will pull the market out of the current doldrums.

Money supply central to cut in German rates

All eyes will be on the return from the summer holidays of the Bundesbank's central council, meeting in Frankfurt on Thursday, as markets look to an easing of German interest rates.

The bank looks to the rate of growth in the broad M3 money supply figures for guidance. Indications are bullish about the July M3 data about to be released.

News of the bank's plans will be eagerly awaited in Paris, where the Bank of France is holding its monetary policy council meeting on Thursday. It will be hoping to gain relief for the franc from a German cut.

This week could well be one of two halves, with a weak D-Mark and a stronger dollar, as the US Federal Reserve starts its own policy meeting tomorrow in Washington. It looks unlikely now to move interest rates upwards, after some mixed economic signals last week.

But if it does decide to raise rates, then the chances of repo rate cut in Germany become much slimmer.

For sterling, the market will be interested in the July M4 money supply figures published tomorrow and G12 figures for the second quarter on Thursday.

FT GUIDE TO WORLD CURRENCIES

Table with columns for Country, Currency, and Exchange Rate (USD 100). Includes countries like Algeria, Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, Colombia, Costa Rica, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hong Kong, India, Indonesia, Israel, Italy, Japan, Korea, Luxembourg, Malaysia, Mexico, Netherlands, New Zealand, Norway, Pakistan, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, UK, USA, Venezuela, and Zimbabwe.

OTHER MARKETS Compiled by William Cochrane

STOCKHOLM

The Affärsvärlden general index has performed strongly this year, rising by 16 per cent, well ahead of other bourses. But it wavered last week, lifted by a good report from Ericsson but disappointed by figures from Astra, the pharmaceutical group.

AMSTERDAM

With the exception of ING, whose interim figures are due on Thursday, most of

COPENHAGEN

Danish brokers expect the bourse to extend its string of record highs this week when three of the country's lead-

CROSS BORDER M&A DEALS

Table with columns: Bidder/Investor, Target, Sector, Value, Comment. Includes deals like Munich Reinsurance (Germany) to American Re (US), Softbank (Japan) to Kingston Technology (US), and others.

ABN AMRO Funds

Société d'Investissement à Capital Variable, 4, rue Jean Monnet, L-2180 Luxembourg-Kirchberg, R.C. Luxembourg B 47072

Notice to the Shareholders: On August 16, 1996, the General Meeting of Shareholders has declared a dividend of DEM 5.80 per B-share in respect of B-shares of ABN AMRO Funds - Germany Bond Fund in issue of the close of business of August 16, 1996.

In the case of registered shares, the dividend will be paid on August 22, 1996. In the case of bearer shares, dividends will be paid as from August 22, 1996 to holders of bearer shares in Deutsch Mark against tender of the relevant coupon (coupon no. 2) to:

ABN AMRO Bank (Luxembourg) S.A., Customer Services Department, P.O. Box 581, 4, rue Jean Monnet, L-2180 Luxembourg.

Dividends which are not claimed within five years of its declaration shall be forfeited and shall accrue for the benefit of the ABN AMRO Funds - Germany Bond Fund.

Manager: ABN AMRO Luxembourg Investment Management S.A.

N.V. Nederlandse Gasunie, DEM 75,000,000, Inverse floating rate notes due 2003. The notes will bear interest at 3.2525% per annum for the interest period 30 August 1996 to 30 February 1997.

BANQUE NATIONALE DE PARIS, Programme for the Issuance of Debt Instruments, Floating Rate Notes due 2005, USD 5,000,000.

BANQUE NATIONALE DE PARIS, Programme for the Issuance of Debt Instruments, Floating Rate Notes due 2005, USD 5,000,000.

Special Drawing Rights August 19, 1996: US Dollar 1.0000, British Pound 0.6943, Canadian Dollar 0.6943, Japanese Yen 106.48, etc.

MARKETS: This Week

Uncertainty plagues Pakistan

The outlook for Pakistan equities continues to be uncertain following a 14.5 per cent fall in the KSE-100 index since the budget on June 13.

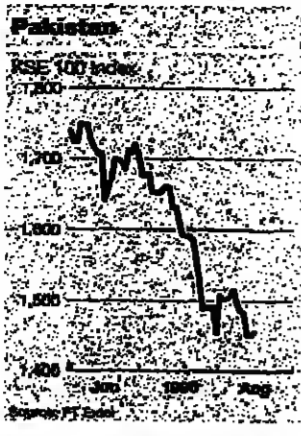
The rapid fall in prices is largely the result of growing economic and political uncertainty, which may hit corporate profits, say analysts.

The index fell last week by some 3 per cent as investors became nervous after the disappointing half-year results of Dewan Salman Fibre. Dewan's shares fell after it became clear that there was no dividend and profits would be sharply lower this year, although no one knows by how much.

The company's recent performance is in sharp contrast to a year ago, when it announced a 20 per cent dividend and a 20 per cent scrip issue. Uncertainty has also grown after Feudl Fertilizers, another market leader, said there were no dividends to be paid on its half-year results.

The fall-out from the performance of companies such as Dewan and Feudl is probably just part of wider concern over the future of the market. Many investors are also worried over the economic uncertainty after the budget.

The government's attempt to slay a new goods and services tax on business and



KSE-100 index

industry has backfired. Many businesses are angry and insist that heavy taxation would take the economy into recession.

The government responded by reducing some of its proposed tax rates. Plans to impose an 18 per cent goods and services tax on many industrial products have been eased. It has also agreed to reduce the tax rate to 10 per cent for exports. A tax on buses, trucks and oil tankers has also been reduced.

However, such concessions have only cast doubts over the future of an IMF stand-by loan agreement for 401.8m SDRs. The fund has so far lent 187.5m SDRs to Islamabad but no one knows the future of the remainder.

Western economists in Islamabad say the fund is

worried that the concessions to businesses after the budget would once again mean that Pakistan would fail to reduce its deficit. For years, Pakistan has been urged by western institutions to trim its deficit as a step towards financial stability.

Mr Nasir Bukhari, chief executive of Khadim Ali Shah Bukhari, a Karachi brokerage, says: "The management of the economy is really willing to come to the market unless prevailing uncertainty is removed."

Mr Bukhari's remarks are shared by many analysts who are concerned over worsening economic trends. Last week, the rupee was again devalued in an effort to narrow the trade gap. It has been devalued by over 40 per cent in three years.

The devaluation came after the trade deficit soared to \$270m in July from \$85m in June. The gap has continued to widen despite last November's economic stabilisation measures, when the rupee was devalued and a 10 per cent duty placed on imports.

The fall in the value of the rupee has led many analysts to conclude that the problems with the trade performance relate to issues such as Pakistan's failure to compete against exports of other countries rather than the currency exchange rate

alone. For the market, the devaluation and the trade deficit are both bad news. A falling exchange rate is only expected to encourage investors to convert their money to foreign exchange rather than investing in the market, and the growing trade gap suggests a weakening position of exporters.

Such anxieties are likely to depress the outlook for the KSE. Mr Arif Habib, president of the KSE, says "the market is affected by a confidence crisis since the budget". Ms Aaliya Dossa, an analyst at Crosby Securities' Karachi office, adds, "Here hasn't been anything positive since the budget. We really need to see something positive on the economy before buyers would come in large numbers."

Others say a slowdown in the privatisation programme has depressed sentiment, as many investors are convinced that the placement of new shares on the market may have helped attract buyers and revive the overall sentiment.

The government has so far given no sign of a schedule for the privatisation of the PTC, the country's telephone company.

Pessimism is also driven by political uncertainty. Mr Nawaz Sharif, leader of the opposition Pakistan Muslim League party, has said he is launching a civil disobedience movement to force the government to step down. The opposition would call upon its supporters to stop paying utility bills and taxes.

No one is certain whether the opposition would succeed. Mr Sharif's campaign would follow another protest launched by the religious "Jamaat-Islami" party after the budget, protesting against the government's economic policies and corruption. Even if the two campaigns do not force the government out, many Pakistanis are easily reminded of the country's inherent political instability. Pakistan has seen seven governments in eight years since the last military ruler, General Muhammad Zia-ul-Haq, was killed in an air crash.

French 'storm in a tea cup' still brewing

In the midst of French financial market turmoil in the last few weeks, one London analyst confessed to having a "vague fear" that his French counterparts know something he did not. He was right.

He and his colleagues did not know that some large and influential French institutions were reported to be selling domestic bonds, leading others to follow suit. And few non-residents were familiar with the intricacies of likely tax changes in next year's budget, which might reduce French life assurance funds' appetite for 10-year bonds.

By the end of the week, the Bank of France's frequent, low-profile interventions in the market began to seep across the Channel.

In the meantime, politicians and central bankers were putting the months where the Bank of France's money was to prop up the franc. A soothing statement by Mr Otmar Issing, Bundesbank chief economist, was closely followed by another from Mr Alain Juppé, the French prime minister, both designed to reassure the markets.

Mr Kiril Shah, chief market strategist at Saxwa International, said Mr Juppé and Mr Issing were attempting to "talk the markets up", a strategy previously "tried successfully by the US Federal Reserve".

But Mr Issing's and Mr Juppé's double act seemed too well timed to be pure coincidence. "If that were the case, it wouldn't surprise me," said one Paris-based analyst.

Coincidence or not, Mr Juppé brushed aside worries about the franc, describing the previous week's fall as "a storm in a tea cup". The 10-year yield spread of OATs over bunds closed at around 6 basis points on Friday, slightly tighter than a few days earlier. The franc was also firmer on the foreign exchange market, at less than FF3.42 against the D-Mark, having recovered from its four-month low in the region of FF3.43 earlier in the week.

But analysts did not seem convinced that the French markets were out of the woods. And Mr Juppé's "storm in a tea-cup" could be brewing still. "The respite is likely to prove short-lived," said one

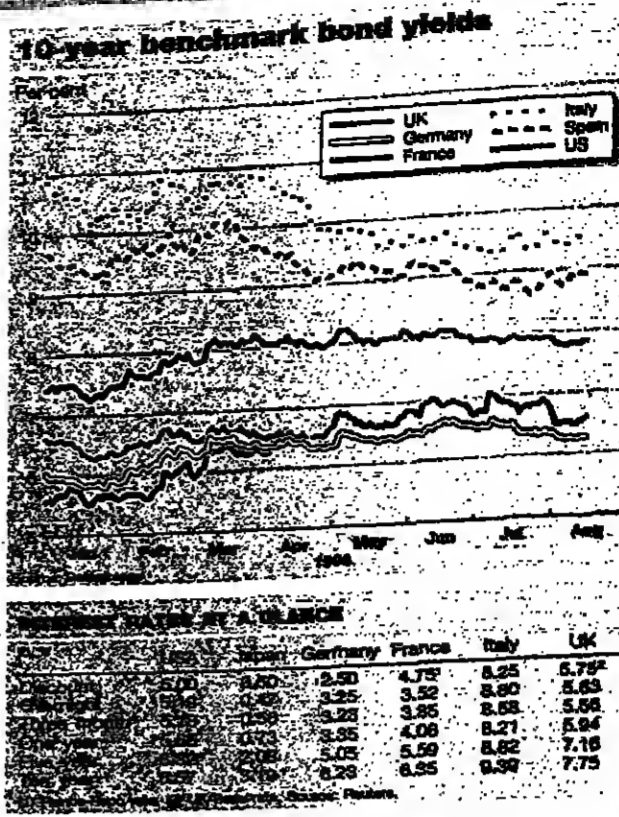
trader in Paris. "The foundations it rests on look wobbly."

Factors supporting the French markets late last week were a wide-ranging mixture including - in addition to central bank intervention and bullish political declarations - a rallying D-Mark's dominance, as well as technical trading.

"Profit-taking on divergence trades has helped [French bonds]," said Mr Shah at Saxwa, referring to traders who had sold French bonds in previous weeks when they were more expensive than bunds and decided to reverse their trades after OATs had cheapened.

The support provided to French markets by a rallying US dollar could also have been a factor.

Mr Shah believes "the dollar will have a tough time breaking through DML50". A cut in the German repo rate this week, which participants see as increasingly



Another thought that occupied the market was that the French authorities were quite happy to allow the franc to float downwards. One view was a conspiracy theory to press Germany to cut interest rates. Another reason also frequently cited is that the German economy has perked up while the French economy is still in the doldrums. This view depends on how economic data from both countries are interpreted. "This leaves the one 'good' reason for the franc's vulnerability: the French government's budget deficit.

To fulfil the Maastricht criteria for European monetary union, France will have to deliver a budget for 1997 with a deficit of 3 per cent or less of GDP, something that hasn't happened since the end of 1991.

As the September 18 date for the delivery of the budget draws nearer, the market appears to have got more sceptical of France's ability to reach this target. "It is not obvious what they are going to do", said one London-based analyst, adding that meeting the 3 per cent target would require "creativity".

In the end, though, all discussions come back to the French government's ability to cut its budget deficit. In the process, it risks facing fierce opposition from the unions, which could send the franc into free-fall and, ultimately, deflation.

"All of this was not a problem 12 months ago," said Mr Nick Parsons, an analyst at Paribas Capital Markets. "Now, the one thing they can't control is time, and this is making the markets uncertain."

Table with columns: Index, 16/8/96, Week on week movement, Month on month movement, Year to date movement. Rows include World (431), Latin America, Argentina (22), Brazil (23), Chile (18), Colombia (14), Mexico (24), Peru (13), Latin America (112), Europe (134), Asia, China (24), Indonesia (31), Korea (23), Malaysia (23), Pakistan (14), Philippines (14), Thailand (23), Taiwan (31), Asia (185).

All indices in \$ terms, January 7th 1992=100. Source: ING Barings Securities.

Table titled 'NEW INTERNATIONAL BOND ISSUES' with columns: Issuer, Amount, Maturity, Coupon, Price, Yield, Launch, Book-Runner. Lists various international bond issues from US Dollars, Swiss Francs, and Australian Dollars.

Advertisement for Birmingham and West Midlands region in Europe. Includes text: 'The most talked about region in Europe.', 'For information on advertising and editorial contact Anthony Hayes on Tel: +44 0121 353 6084 Fax: +44 0121 353 6084'. Also includes logos for Alliance Leicester, Capital One Master Trust, and Adelaide Bank Limited.

Notice of Redemption for Thermo Electron Corporation. Text: 'THERMO ELECTRON CORPORATION 4% Senior Convertible Debentures due 1997 4% Convertible Subordinated Debentures due 1997'. Includes details on redemption date (September 18, 1996), conversion price, and procedures.

Handwritten text in Arabic script: 'مكتبة الادب'

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND. Table with columns for Country, Currency, Spot, 1m, 3m, 6m, 1y, and 2y rates.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR. Table with columns for Country, Currency, Spot, 1m, 3m, 6m, 1y, and 2y rates.

WORLD INTEREST RATES

Table of World Interest Rates for August 1996, showing rates for various countries and currencies.

CROSS RATES AND DERIVATIVES

Table of Exchange Rates and Derivatives for August 1996, listing rates for various currencies.

FT GOLD MINES INDEX

Table of FT Gold Mines Index for August 1996, listing index values and percentage changes.

EURO CURRENCY INTEREST RATES

Table of Euro Currency Interest Rates for August 1996, showing rates for various Eurozone countries.

M-D-MARK FUTURES (MM) DM 125,000 per DM

Table of M-D-Mark Futures for August 1996, listing prices and changes.

M SWISS FRANC FUTURES (MM) SF 125,000 per SF

Table of M Swiss Franc Futures for August 1996, listing prices and changes.

M JAPANESE YEN FUTURES (MM) Yen 12.5 per Yen 100

Table of M Japanese Yen Futures for August 1996, listing prices and changes.

M STERLING FUTURES (MM) £20,000 per £

Table of M Sterling Futures for August 1996, listing prices and changes.

M PHILADELPHIA 6% 5/8 OPTIONS £20,000 (cents per pound)

Table of M Philadelphia 6% 5/8 Options for August 1996, listing prices and changes.

BANK RETURN

Table of Bank Return for August 1996, showing returns for various bank categories.

UK INTEREST RATES

Table of UK Interest Rates for August 1996, showing rates for various terms.

LONDON MONEY RATES

Table of London Money Rates for August 1996, listing rates for different currencies.

BANK OF ENGLAND TREASURY BILL TENDER

Table of Bank of England Treasury Bill Tender for August 1996.

BASE LENDING RATES

Table of Base Lending Rates for August 1996, listing rates for various banks.

UK GILTS PRICES

Table of UK Gilts Prices for August 1996, listing prices for various government bonds.

Other Fixed Interest

Table of Other Fixed Interest for August 1996, listing rates for various fixed income securities.

STOCK INDICES

Table of Stock Indices for August 1996, listing values for various stock markets.

Advertisement for Berkeley Futures Limited, 38 Dover Street, London W1X 5EB.

Advertisement for Union Limited, 24 HRS, 300 Tottenham Court Road, London W1P 8LP.

Advertisement for Market-Eye, FREEPHONE 0800 321 321, FAX 0171 398 1001.

Advertisement for Futures & Options, \$32 ROUND TURN.

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LONDON SHARE SERVICE

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ALCOHOLIC BEVERAGES BANKS, MERCHANT BANKS, RETAIL BREWERIES, PUBS & REST BUILDING & CONSTRUCTION BUILDING MATS. & MERCHANTS CHEMICALS DISTRIBUTORS ELECTRICITY ENGINEERING ENGINEERING, VEHICLES EXTRACTIVE INDUSTRIES FOOD PRODUCERS FOOD PRODUCERS - Cont. GAS DISTRIBUTION HEALTH CARE HOUSEHOLD GOODS INSURANCE INVESTMENT TRUSTS INVESTMENT TRUSTS SPLIT CAPITAL INVESTMENT TRUSTS - Cont.	CHEMICALS - Cont.	ELECTRONIC & ELECTRICAL EQPT - Cont.	EXTRACTIVE INDUSTRIES - Cont.	HOUSEHOLD GOODS - Cont.	INVESTMENT TRUSTS - Cont.

On TIME.

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LONDON SHARE SERVICE

Table with multiple columns listing various stock categories: LEISURE & HOTELS - Cont., LIFE ASSURANCE, MEDIA, OTHER FINANCIAL - Cont., PAPER, PACKAGING & PRINTING, PHARMACEUTICALS, PROPERTY, PROPERTY - Cont., RETAILERS, FOOD, RETAILERS, GENERAL, SUPPORT SERVICES - Cont., TELECOMMUNICATIONS, TEXTILES & APPAREL, TOBACCO, TRANSPORT, WATER, AMERICANS, CANADIANS, SOUTH AFRICANS, and AIM - Cont.

OTHER INVESTMENT TRUSTS
The following investment trusts are not eligible for inclusion in the FT London Share Service...

INVESTMENT COMPANIES
List of investment companies with their respective stock prices and financial data.

LEISURE & HOTELS
Table listing companies in the leisure and hotels sector.

LEISURE & HOTELS - Cont.
Continuation of the leisure and hotels sector table.

From automotive to automation, Rockwell gets your business moving.
Rockwell logo and text.

PROPERTY - Cont.
Continuation of the property sector table.

PROPERTY - Cont.
Continuation of the property sector table.

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PROPERTY - Cont.
Continuation of the property sector table.

PROPERTY - Cont.
Continuation of the property sector table.

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Prices for the London Share Service delivered by FT...
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FT Cityline Unit Trust Prices: data 0881 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International calls available by subscription only. For more details call the FT Cityline Help Desk on (444 171) 878 4378.

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BERMUDA (SIB RECOGNISED)

Table listing Bermuda funds including Fidelity Currency Funds, Fidelity International Funds, and Fidelity Growth Funds.

BERMUDA (REGULATED)**

Table listing Bermuda regulated funds including Architectural Capital Management Ltd and Bermuda Investment Management Ltd.

GUERNSEY (SIB RECOGNISED)

Table listing Guernsey SIB recognised funds including All Investment Managers (Guernsey) Ltd and Adams & Boscawen (Guernsey) Ltd.

GUERNSEY (REGULATED)**

Table listing Guernsey regulated funds including ANZ Mutual Co (Guernsey) Ltd and Apollo Investment Management Ltd.

LYONS

Table listing Lyons funds including Lyons International Money Market Fund and Lyons International Growth Fund.

IRELAND (SIB RECOGNISED)

Table listing Ireland SIB recognised funds including IFAI Fund Management Ltd and IFAI International Growth Fund.

IRELAND (REGULATED)**

Table listing Ireland regulated funds including IFAI Fund Management Ltd and IFAI International Growth Fund.

NET ASSET MANAGEMENT LTD - CONT.

Table listing Net Asset Management Ltd funds including Net Asset Growth Fund and Net Asset International Growth Fund.

NET ASSET MANAGEMENT LTD - CONT.

Table listing Net Asset Management Ltd funds including Net Asset Growth Fund and Net Asset International Growth Fund.

NET ASSET MANAGEMENT LTD - CONT.

Table listing Net Asset Management Ltd funds including Net Asset Growth Fund and Net Asset International Growth Fund.

THAY (IRELAND) LTD

Table listing Thay (Ireland) Ltd funds including Thay International Growth Fund and Thay International Money Market Fund.

IRELAND (REGULATED)**

Table listing Ireland regulated funds including IFAI Fund Management Ltd and IFAI International Growth Fund.

IRELAND (REGULATED)**

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Table listing Ireland regulated funds including IFAI Fund Management Ltd and IFAI International Growth Fund.

ISLE OF MAN (SIB RECOGNISED)

Table listing Isle of Man SIB recognised funds including Isle of Man International Growth Fund and Isle of Man International Money Market Fund.

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Table listing Isle of Man SIB recognised funds including Isle of Man International Growth Fund and Isle of Man International Money Market Fund.

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Advertisement for Sun Life of Canada with text: 'FOR THE BEST RETURN ON YOUR MONEY, COME AND SHARE OUR HOSPITALITY.' Includes a small image of a person.

Small text at the bottom of the page, possibly a page number or reference code.

صكيات الامل

Offshore Funds and Insurances

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FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 35p/minute cheap rate and 45p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 676 4376.

Main table containing fund names, codes, and prices. Includes sections for 'LUXEMBOURG (REGULATED)', 'Offshore Funds and Insurances', and 'OFFSHORE INSURANCES'. The table lists various investment funds such as 'TSS Fund Managers (C) Ltd', 'Fidelity Funds (C) Ltd', and 'Mercury Asset Management S.A.', along with their respective unit prices and performance metrics.

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Main table listing various fund categories such as Global Equity, Global Bond, Global Asset Management, and Global Currency Funds. Each entry includes fund name, ticker, and price.

GUCCI advertisement featuring a watch and the text: 'GUCCI TRIFRONS ARE AVAILABLE FOR GUCCI BOND STREET W.I., GUCCI SLOANE STREET S.W.I., HARRIS AND SUDRIDGE. ALSO AT SELECTED BENTON JONES, LITTLE GARD, GOLDTHRIPS, WALKER AND HALL, WATSON & SWITZERLAND, HARRIS & WEBB, BARRINGTON AND OTHER FINE JEWELLERS.'

MANAGED FUNDS NOTICE
This notice is published in accordance with the provisions of the Financial Services Act 1986 and the Financial Services and Markets Act 2000. It provides information regarding the management of funds and the responsibilities of the fund manager.

Handwritten Arabic text at the bottom of the page.

سوقان العالم

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

Table of world stock markets including Europe (Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, India, Indonesia, Italy, Japan, Korea, Malaysia, Mexico, New Zealand, Norway, Philippines, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, UK, USA, Venezuela, Zimbabwe) and Pacific (Japan, Korea, Taiwan, Thailand, Hong Kong, Singapore, Malaysia, Philippines, Indonesia, Vietnam, Cambodia, Laos, Myanmar, Brunei, Timor, East Timor).

Advertisement for Perigrine: 'Fixed on Asian Income'. Text: 'Perigrine has the largest team of professionals dedicated to the origination and distribution of Asian fixed income securities.' Includes Perigrine logo and contact information.

Table of world stock markets (continued) including South Africa, South Korea, Taiwan, Thailand, Turkey, UK, USA, Venezuela, Zimbabwe, and Pacific (Japan, Korea, Taiwan, Thailand, Hong Kong, Singapore, Malaysia, Philippines, Indonesia, Vietnam, Cambodia, Laos, Myanmar, Brunei, Timor, East Timor).

Table of US indices and futures markets. Includes sections for US Indices (Dow Jones, Industrials, Home Stocks, Transport, Utilities, DJ Ind. Div. Yield, DJ Ind. Div. Yield, DJ Ind. Div. Yield, DJ Ind. Div. Yield), US Futures (S&P 500, Treasury, Oil, Gold, Silver, Copper, Aluminum, Zinc, Nickel, Lead, Tin, Wheat, Corn, Soybeans, Cotton, Sugar, Coffee, Cocoa, Rubber, Lumber, Gasoline, Heating Oil, Natural Gas, Electricity, Futures), and US Stocks (NYSE, NASDAQ, NYSE Composite, NYSE Industrials, NYSE Home Stocks, NYSE Transport, NYSE Utilities, NYSE DJ Ind. Div. Yield, NYSE DJ Ind. Div. Yield, NYSE DJ Ind. Div. Yield, NYSE DJ Ind. Div. Yield).

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock symbols, prices, and changes. Includes sub-sections for 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

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Continued on next page

سوق الأوراق المالية

4 pm close August 18

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', '-Y-', '-W-', '-T-', and '-U-'.

NASDAQ NATIONAL MARKET

4 pm close August 18

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for '-L-', '-M-', '-N-', '-O-', '-P-', '-Q-', '-R-', '-S-', '-T-', '-U-', '-V-', '-W-', '-X-', '-Y-', and '-Z-'.

AMEX PRICES

4 pm close August 18

Table of AMEX stock prices including columns for stock name, price, change, and volume.

Advertisement for 'France' featuring the slogan 'Have your FT hand delivered in France.' and listing delivery locations like London, Paris, and other major cities.

Continuation of the NASDAQ National Market table from the previous page, showing stock prices and market data.

FT GUIDE TO THE WEEK

MONDAY 19

Clinton reaches 50

Bill Clinton, the US president, celebrates his 50th birthday with a trip to Tennessee...

Korean security exercise

South Korea begins holding a realistic five-day civil defence exercise that includes night curfews, water and power stoppages...

Singapore blitzes toilets

Singaporeans are being urged to raise their already high standards of cleanliness with a blitz on public toilets...

Athletics

Britain v US, Gateshead.

Public holidays

Afghanistan, Colombia, Venezuela.

TUESDAY 20

Australian budget day

Australia's new conservative federal government hands down its first budget - a package of measures which aims to squeeze A\$3bn (US\$6.2bn) out of public expenditure over the next two years...



Korean pro-unification students demonstrate in Seoul, where a civil defence drill begins today to raise awareness of the threat posed by North Korea.

group - due to be re-presented, the session promises to be stormy.

IMF visits Argentina

An International Monetary Fund mission arrives in Buenos Aires to discuss past fiscal laxities and proposed remedies with Argentina's new economic team...

Decision on Rao appeal

India's supreme court decides whether P. V. Narasimha Rao, leader of the Congress party, has to face fraud charges levelled against him by a businessman...

Japan PM visits Mexico

Ryutaro Hashimoto, the Japanese prime minister, leaves on a 10-day visit to Mexico, Chile, Brazil and Peru...

infrastructure development projects. The loans are the largest official development assistance extended by Tokyo to Lima in a fiscal year.

US interest rates

The Federal Reserve's open market committee meets to discuss US interest rates. Most economists expect short-term rates to remain unchanged at 5.25 per cent...

Public holidays

Hungary, Morocco.

WEDNESDAY 21

Shakespeare's Globe

Shakespeare's Globe, an authentic recreation of the theatre where many of Shakespeare's plays were first performed, opens on London's Bankside with a four-week prologue season of performances of Two Gentlemen of Verona...

Canadian premiers meet

The premiers of Canada's 10 provinces and of the Northwest Territories and the Yukon hold their annual meeting. The leaders gather round a conference table on a chartered train running

between Edmonton, the capital of Alberta, the host province this year, and Jasper, a Rockies resort. Economic growth, social policy and "rebalancing" federal-provincial legislative powers top the agenda.

Water skiing

European championships, Vallenbaek, Denmark (to Aug 25).

THURSDAY 22

Bundesbank meeting

The Bundesbank's policy-making council meets for the first time after its summer break, with the possibility of interest rate cuts still in the air. Having disappointed markets by not trimming its key securities repurchase (repo) rate from 3.30 per cent in July...

Deng reaches 92

Deng Xiaoping, China's paramount leader, reaches his 92nd birthday as speculation continues to surround both his health and his whereabouts. Mr Deng has not been seen in public since 1994. His gradual disappearance from political life has set in motion a difficult transition to a new generation of rulers...

Megawati in court

The Jakarta central district court is due to preside over the first hearing

against the government and military brought by Megawati Sukarnoputri, Indonesia's embattled opposition figurehead. Ms Megawati is suing the government for backing a congress which she argues illegally replaced her as leader of the opposition Indonesian Democratic party with a government-backed candidate.

Pop memorabilia on offer

Bonhams in London holds an auction of pop memorabilia including items from the most collected stars - the Beatles, Elvis Presley and Jimi Hendrix. Among the Presley lots is a white gaberdeine stage suit estimated at up to \$9,000. From the Beatles there is the original affidavit sent by a disaffected Paul McCartney to the rest of the group (estimate up to \$1,000). Jimi Hendrix's autographed lyrics of his song "Amn't no telling", written on hotel stationery, could make \$15,000.

Downer visits China

Alexander Downer, the Australian foreign minister, visits China. Mr Downer is due to meet Li Peng, the Chinese premier, to discuss a range of issues, including security and trade. Tension between the two countries was heightened last week after Mr Downer said he was considering plans to allow the export of uranium to Taiwan. China is also concerned about a planned tour of Australia by the Dalai Lama, Tibet's exiled spiritual leader.

Cricket

Third Test, England v Pakistan, Oval cricket ground, London (to Aug 26).

Golf

German Open, Stuttgart (to Aug 25).

FRIDAY 23

Canadian Tories meet

Canada's Progressive Conservative party begins its national policy convention in Winnipeg. Jean Charest, the party's leader, will try to hold the centre ground with one eye keenly on the next federal general election. "My conservatism has a distinctly human face," says Mr Charest. More than 2,000 delegates are expected.

UK rail strike planned

Rail travellers in Britain face widespread disruption when train conductors and other staff are expected to hold a 24-hour strike in pursuit of a pay and productivity claim. Unless talks between the RMT transport union and private train operating companies produce settlements, stoppages may occur on NW Regional; S Wales and West; Mersey Rail; North London; Regional Railways NE; Scotrail and Cross-Country.

Zagreb and Belgrade

Mate Granic, the foreign minister of Croatia, meets Milan Milutinovic, his

counterpart from Serb-led Yugoslavia, in Belgrade in order to establish full diplomatic relations. The meeting follows a bilateral summit earlier this month between the presidents of Serbia and Croatia. They established low-level diplomatic relations two years ago, but a normalisation of relations.

Athletics

IAAF grand prix meeting, Brussels.

SATURDAY 24

Turkish party picks leader

Mesut Yilmaz, the former prime minister of Turkey, is up for re-election as leader of the opposition conservative Motherland party at its annual conference in Ankara. Mr Yilmaz is unlikely to face serious challenges, even though he has led his party to two successive election defeats and was outmanoeuvred by his conservative rival Tansu Ciller during a short-lived coalition government earlier this year.

SADC discusses trade

The Southern African Development Community meets in Maseru, Lesotho, with a summit of heads of state. Among the issues dominating the meeting are plans for a free trade protocol. South Africa, a member of the community, has made clear its preference for a free trade agreement linking all 12 SADC countries, in preference to individual pacts with its neighbouring states.

Cycling

European mountain bike championships, Italy (to Aug 25).

Public holidays

Ukraine, Georgia, Hong Kong, Liberia.

SUNDAY 25

Notting Hill carnival

West London plays host to the 31st Notting Hill Carnival, with more than 1m revellers expected to join the street parties, dancing and parades. Second only to the Rio de Janeiro carnival, the event includes an estimated 10,000 entertainers and performers, with about 70 floats making their way through the crowds. The music is officially switched off at 7pm, but celebrations continue through most of the night, and are resumed for a second and final day on Monday.

Motor racing

Belgian grand prix, Spa-Francorchamps.

Compiled by Nick Mayhew-Smith. Fax: (+44) (0)171 873 3134.

ECONOMIC DIARY

Statistics to be released this week

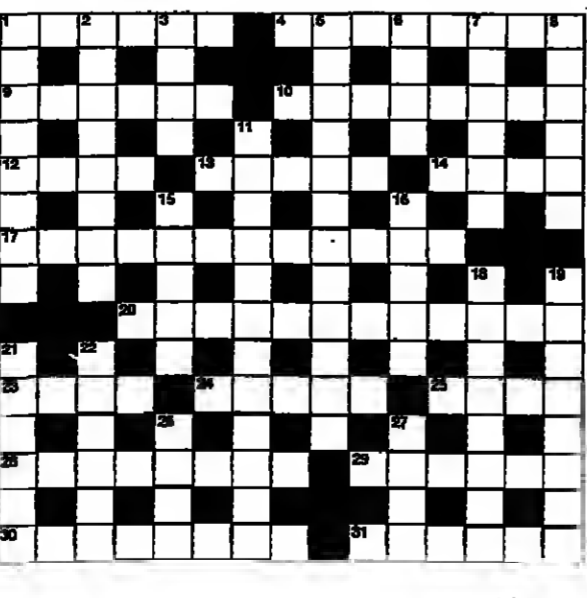
Table with columns: Day Released, Country, Economic Statistic, Median Forecast, Previous Actual, Day Released, Country, Economic Statistic, Median Forecast, Previous Actual. Includes data for Japan, Canada, France, UK, US, Germany, Italy, and the UK Treasury Budget.

Other economic news

Monday: With the Bundesbank due to meet later this week, European data will be watched closely by the markets. The Ifo business survey in Germany could provide an important clue about the strength of activity. Meanwhile, the consumer confidence survey will also be watched for any sign of a consumer upturn. Wednesday: In the UK, July retail sales data are forecast to show growth, albeit not as strong as the previous month. Thursday: Revised UK gross domestic product figures for the second quarter of the year are likely to show no change from the flash estimates. The Confederation of British Industry's industrial trends survey will be watched for signs that manufacturing is reviving. Italian consumer prices data should show a small monthly increase, with a drop in the yearly rate. Friday: French July inflation data will point to continued low price pressures in that economy. Dutch inflation data is also set to be low, together with Swiss inflation.

- ACROSS 1 Official seal, pain in court? (6) 4 Drunken generals, swells (8) 9 A convenience for spies (6) 10 News round received (8) 12 Counter made from old blocks? (4) 13 Duke finished port (5) 14 Fortunate to have space in flight (4) 17 Wheeled vehicles of very wealthy family (7-5) 20 Football club has one in lottery, getting excited (6,6) 23 Element with short fuse (4) 24 Intersection approach? (6) 25 Vehicle of early times carrying soft, farm-butter (4) 28 Streets of English member, as his constituents move about... (8) 29 ...he could not take Friday off (6) 30 Chief not recommended for regular citizens? (8) 31 Church teas turning out to be simple and refined (6)

- DOWN 1 Risk going over line in court (8) 2 Tops of crusts fit to eat, like things we can swallow (8) 3 Common grub hidden in wheat-stalks (4) 5 A tug intensely pitching in a sickening way (12) 6 Collaborator for an entire year (4) 7 Marshal to draw (6) 8 Legs in movement make one run (6) 11 Sustained condition enduring for ages (4-8) 15 Key American composer, a very rich man... (6) 16 ...his record to go well? (6) 18 Thaws dead forests out (8) 19 Stock running out? Rueli (6) 21 Sovereign in new purse given to bishop (6) 22 Having summit, given inside information (6) 26 Small piece in book (4) 27 Common feature of perpendicular church (4)



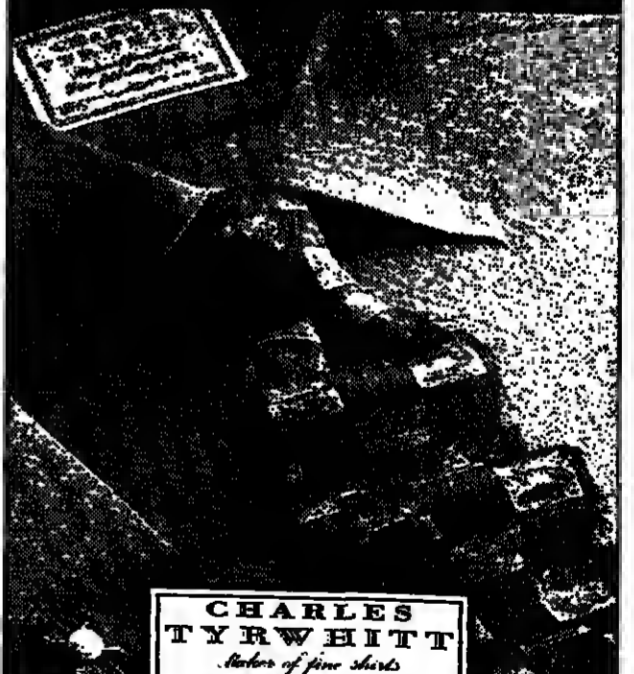
MONDAY PRIZE CROSSWORD No. 9,150 Set by DINMUTZ

A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of 25 Pelikan vouchers will be awarded. Solutions by Thursday August 23, marked Monday Crossword 9,150 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 8UL. Solution on Monday September 2. Please allow 28 days for delivery of prizes.

Name: Address: Postcode: Wimmers 9,138 Solution 9,138

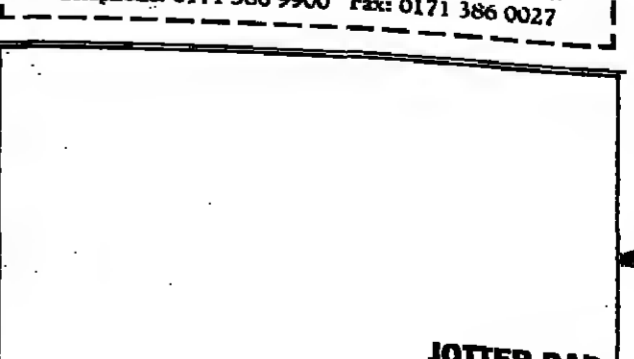
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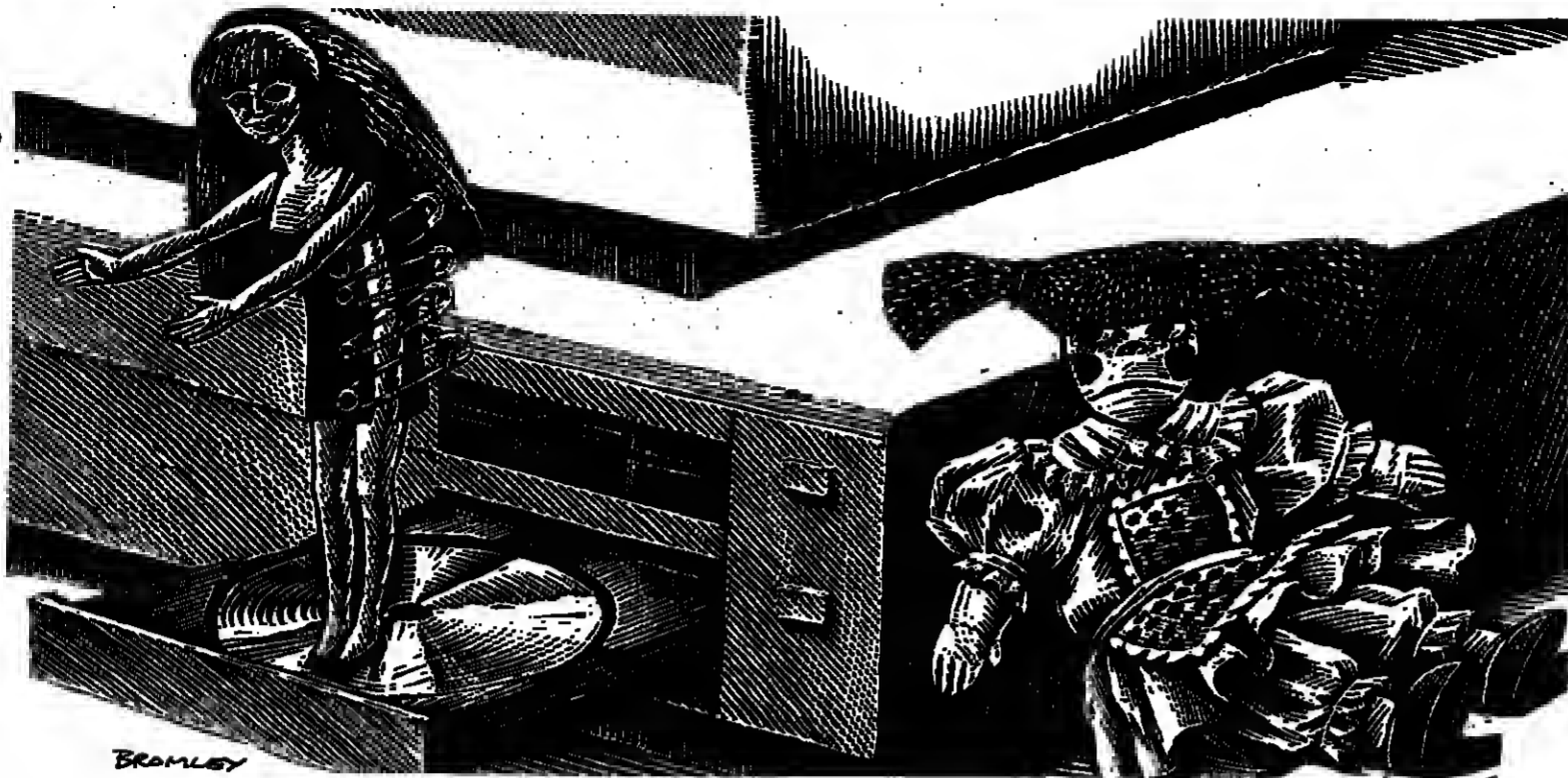
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سكنا من الامم

صحن من الالهل

MEDIA FUTURES



Barbie dolls up for CD-Rom

Toy makers are entering the digital and online arena, writes Alice Rawsthorn

Barbara Millicent Roberts has played many roles in her thirtysomething lifetime - model, astronaut, chief, scuba diver, politician, even a hip-hop star - and now she is about to enter the world of digital technology.

Ms Roberts, "Barbie" to her friends, will make her digital debut this autumn when she stars in a series of CD-Roms - Barbie Fashion Designer, Barbie Storymaker and Barbie Print 'n' Play - which are due to hit the stores on November 4, just in time for the start of the Christmas shopping season.

Until recently traditional toy manufacturers such as Mattel, Barbie's creator, left the interactive games market to the Japanese video games groups, Sega and Nintendo, and US software companies, notably George Lucas's Industrial Light & Magic. Now they are developing CD-Rom and online versions of their established toy brands.

Hasbro, Mattel's arch-rival, brought out CD-Rom formats of its board games, Monopoly and Trivial Pursuit, last autumn. It is now finalising plans for this autumn's launch of interactive formats for other brands including Playskool, Cinedo, Risk and Battleship.

As more people buy personal computers for their homes, the fastest growing area of the games sector is expected to be CD-based concepts, and online formats played over the Internet. This shift from the video games consoles that have dominated the market for a decade creates an opportunity for traditional toy manufacturers to move into interactive games.

Tim Jackson

Raw pin-up law



Our long standing system of intellectual property protection has encouraged creative minds to be productive. Diluting those protections may discourage that creativity.

The judge accepted the defendant's claim that it could not be forbidden to operate a Web site in Italy simply because the site was accessible in the US.

The US has one of the world's most liberal regimes on alleged pornography, in which plenty of material receives constitutional protection that would bring its publisher a spell in prison abroad.

These words appeared in a judgment handed down recently by a federal district court in the southern district of New York which has important implications for anyone with ambitions to distribute information across the Internet. The case raises two questions: what jurisdiction can courts in one country claim over the Net? And if they claim jurisdiction, what chance do they have of making their claims effective?

The parties were two competing publishers: Playboy Enterprises Inc of the US, publisher of the magazine that gave us the word "centrefold", and the publisher of an Italian magazine with the similar name of Playmen.

While courts everywhere may assert jurisdiction over the Net, there is little that they can do to make good their claims. The Tattilo case was special because the defendant was bound by an earlier injunction, and had an office inside the court's jurisdiction.

The CD-Rom versions of Cinedo, Risk and Battleship, which will go on sale this autumn, will also offer Net access. Although Hasbro's other new interactive games, Othello and Yahtzee, will, like Trivial Pursuit, be limited to the CD-Rom format.

Lego is producing a special CD-Rom to be included in its new Lego Town set due out next spring which will tell the child how to build a town from the accompanying kit.

But there is also a case for arguing that the Net is becoming an electronic community of its own, with values different from those defined by national or regional borders. Some new set of rules needs to be applied to Net communications.

Meanwhile Mattel prepares to launch the first three Barbie CD-Roms this autumn, each of which will sell for £20 in the UK and \$40 in the US. If the first three Barbie games prove popular, it will then move on to CD-Roms for Polly Pocket and the Cabbage Patch Kids and the other Barbie concepts, enabling Ms Roberts to play nearly as many roles on screen as she does off it.

It is paradoxical that the issue of jurisdiction over the Net has arisen so clearly in the US. In future, it is likely to be material coming out of the US that provokes controversy.

Today, all these suggestions seem unlikely. But when you have excluded the impossible, as Sherlock Holmes used to say, whatever remains - however improbable - must be the truth.

Cyber sightings. This month sees the first issue of BT's Business Connections website (www.businessconnections.bt.com), for small business users, with an advice centre, extracts from Business Opportunity World magazine for start-up enterprises and an expert forum (this month on direct marketing). With material from the department of trade and industry.

The most indispensable sites I've seen for a long time is Gibbons Burke's Hot Links for Traders (www.do.com/links/bomb/jachoo.html). With excellent finance-related links as well as articles and news sites. Well worth bookmarking.

With meteoric revelations sparking a whole new round of debate and questions, NASA's excellent Life on Mars? site (http://cas.ames.arc.nasa.gov/marslife) has photos, audio and video links, and background material about Mars. It is fascinating.

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GAM. For information on GAM's unit trusts and unit funds see http://www.ukinfo.gam.com

The Financial Times plans to publish a Survey on Mexico on Monday, September 23. The survey will look at the country's economy, politics, financial markets, foreign policy and more.

Demon Internet. net effect. The largest European Internet Service Provider. 0181 371 1250 E-mail sales@demon.net http://www.demon.net/

MANAGEMENT

UK companies are waking up to the prospect of a single European currency, writes Gillian Tett

Counting the cost of Emu

Earlier this summer executives from Shell, the Anglo-Dutch oil group, held a brainstorming session. After watching the political debate about European economic and monetary union gather pace, the group decided it was time to examine how the issue might affect the company.

Their conclusions were mixed. Although Shell believes Emu should not pose insuperable problems for the group, it has identified a plethora of technical issues ranging from pension fund policy to the possibility of dual pricing on petrol pumps.

But the real significance of the meeting is that it took place at all. For Shell's initiative reflects a broader debate about Emu that is emerging among some large UK industrial companies. Although UK banks have been debating their own set of Emu-related challenges for some time, Shell's initiative is now matched in other non-banking groups such as ICI, British Airways, Unilever and Marks and Spencer.

According to Vincent Cable, chief economist of Shell International, "Three months ago we woke up to the fact that Emu was likely to happen - and we decided we needed to prepare for it".

But deciding just how any UK industrial company can actually "prepare" for Emu is far from easy. One problem is the sheer uncertainty. Although many companies now believe Emu could proceed as planned in 1999, this is far from definite. And UK companies face the added problem of the government's ambiguous stance. It seems unlikely the UK will join Emu in 1999 but this cannot be ruled out. And the UK might still join at a later stage - perhaps in 2002 when euro notes and coins are finally introduced.

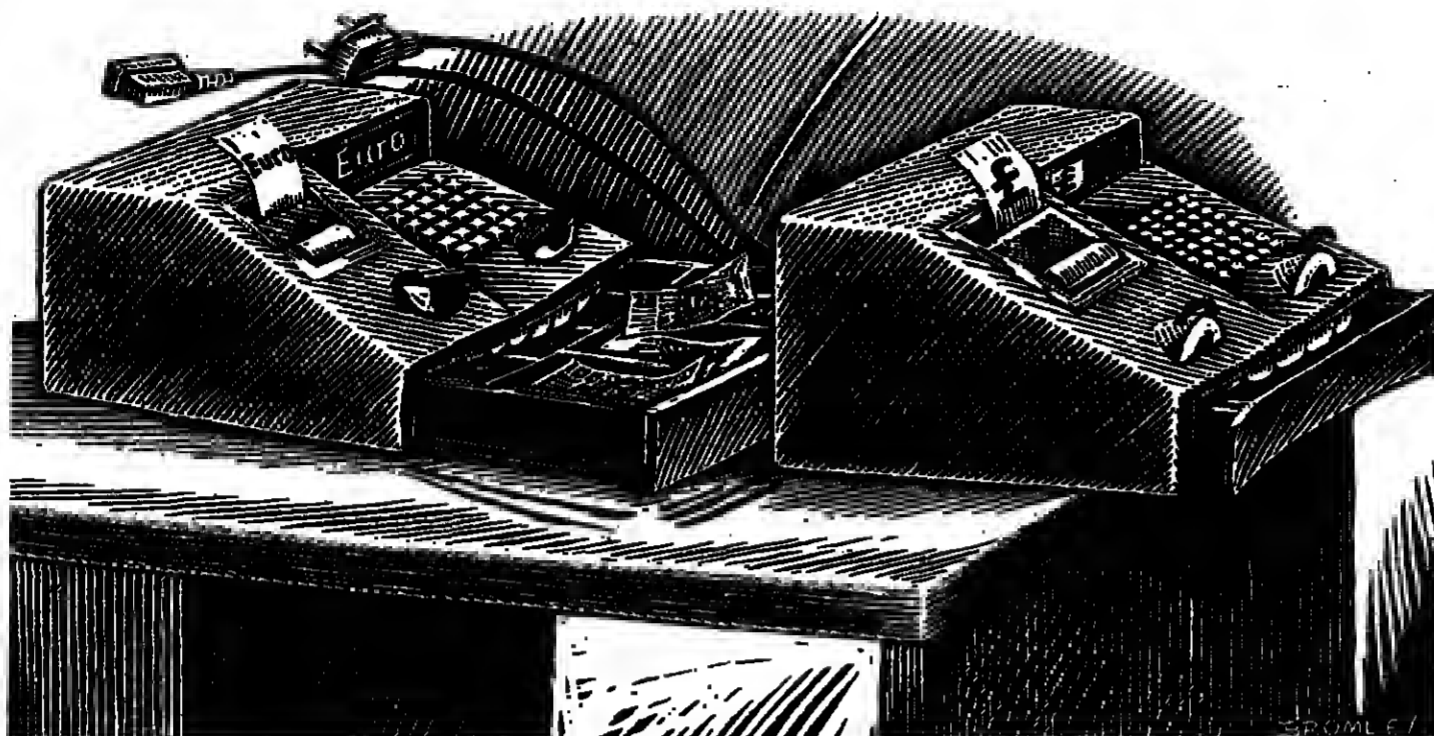
This uncertainty poses vast problems. Jo O'Neill, treasurer of Guinness, says: "I think there are just not enough details available for firm planning yet".

However, Shell decided to cope with the problem by imagining the impact of a host of scenarios - ranging from UK entry in 1999 to a complete collapse of Emu.

Some companies fear that waiting for a political decision is dangerous. For even if the UK stays outside Emu the consequences of France and Germany moving to Emu could still be felt within three years. Companies in continental Europe are already pushing ahead with preparations - meaning that if the UK does make a late decision to join, UK companies could be caught out.

As one UK group says: "It's a competitive issue. Maybe Emu won't affect us as much as our continental competitors - but we don't want to be caught short".

There is also the diffuse nature of the project. Emu potentially



affects not only treasury operations and accounting, but a whole body of IT and legal issues. The first point any UK company needs to consider, for example, is simply the impact of dealing with a new currency.

If the UK stays outside Emu, companies operating in domestic markets may not be affected by the euro. Even some exporters suspect it will initially pose few problems.

According to Christopher Purser, group treasurer for the engineering group Glynwed: "It will probably be just like another foreign currency - our treasury already copes with a lot of currencies".

But other companies, particularly those with subsidiaries in continental Europe, fear its impact may be more significant, partly because of the manner in which the euro will be introduced.

The scenario agreed by governments in Madrid last year envisages that the euro will initially only exist as a unit of account

between 1999 and 2002. National currencies will continue to circulate at "irrevocably fixed" exchange rates, until the euro notes and coins replace national notes and coins in 2002.

In theory, this means nobody can be compelled or prevented from using the euro until 2002. And some companies want to delay its use: one UK group has decided it will continue accounting internally in sterling up to 2002, even for its continental subsidiaries.

But there could be strong pressure on companies dealing with Emu members to switch to the euro much earlier, at least for external business dealings.

This is partly because many of Europe's largest companies, such as the German group Siemens and Dutch company Philips, plan to switch to the euro in 1999. The UK chemicals group ICI thinks it will do the same. This could create pressure on smaller companies to change as well - possibly very quickly. "We will certainly encourage the use of the euro,"

says Tom Ruha, director of corporate finance of Philips.

Meanwhile, the sheer size of the Emu area means the euro could gain significance in international trade - even in the UK. As Bryan Sanderson, head of BP chemicals, says: "I think you could quite quickly see the euro acting as a dual currency [for UK business]."

However, this switch will not be universal before 2002 because many government and consumer operations will remain denominated in national currencies. And so UK exporters could be forced to juggle complicated numbers - or use dual pricing.

Sir Brian Pearce, chairman of Lucas Industries, the motor and aircraft parts group, says: "Any company supplying into continental Europe will have to have a euro account [after 1999] - trade will be denominated in euros to a much greater extent than its constituent currencies."

This means companies may need to look at their banking arrangements. There are already

fears that processing euro payments through UK-based banks may be costlier than through continental banks if the UK stays outside Emu. As Richard Freeman, chief economist of ICI, says: "Any sensible company should be looking at the cost of their treasury operations now."

The change also has implications for information technology, since computers will need to handle the euro for invoicing, accounting and possibly even pay bills. Freeman adds: "IT is probably the biggest area which needs to be considered."

The IT problems vary significantly between sectors. Some companies have concluded that incorporating the euro is relatively manageable. British Airways, for example, believes its ticketing operations can cope with Emu fairly easily.

The issue is further complicated because Emu will clash with 2000, which in itself poses significant computing

problems. Retailers face particular challenges if the UK joins Emu. It is planned that euro notes and coins will circulate alongside national currencies in early 2002. The prospect of coping with dual currencies has dismayed UK retailing groups such as C&A and Kingfisher. Meanwhile, Marks and Spencer and Tesco each estimate the IT costs of the changeover to be around £30m.

Aside from handling the currency, Emu raises a host of logistical problems. On the legal side, one key issue is the treatment of contracts denominated in a European currency.

The European Commission has pledged that contracts will not be disrupted by Emu, and plans to issue a legal framework to guarantee this next month. But many companies are now examining the small print of their contracts, particularly for long-term debts or bond issues.

Soma have no debt which extends beyond 2000. Others have concluded that they will shun Ecu instruments, because of uncertainties about how the Ecu will be converted into euros.

Meanwhile, others, like ICI, are considering whether to redenominate long-term debts into euros. In theory, bonds need not be redenominated before 2002. But Paris has already warned that it intends to switch over its financial markets as quickly as possible after 1999.

Another issue is treasury management. Emu should lead to significant cost savings for treasury operations. But Shell and other companies have concluded that it will also generate significant changes in areas such as pension fund portfolios.

Yet another issue is the treatment of shares. If the UK stays outside Emu, most companies will probably still be quoted in sterling. However, some large groups are considering entering a euro market, particularly if it is more liquid.

These debates remain preliminary. Nevertheless, the crucial point from the analysis so far is that many UK companies cannot avoid being affected by Emu - even if UK politicians shun the project.

Consequently, the question now is whether enough companies will take the issue sufficiently seriously to avoid being hurt in 1999. Although the UK's industrial giants might be grappling with the issue, the key concern is whether the smaller companies are ready to follow suit.

"Some British people have not yet realised Emu is on the agenda," says Cable. "But if they start preparing there is a real danger they will be caught out."

A need for early planning

Whatever else is uncertain about European monetary union, one thing is clear. In the next year demand is set to surge from UK companies for practical advice on Emu.

The Confederation of British Industry and British Chambers of Commerce are already trying to respond; they recently established a research project on the implications of Emu for UK companies. But their conclusions will only emerge later this year.

and in the interim it can be hard to find information that answers basic questions for companies.

One document that partly fills the gap is a recent report from the Association for the Monetary Union of Europe. The study hopes all European Union countries will participate in Emu. But although a UK audience may need to filter the report, it provides a useful outline of the issues.

The report says that early planning is essential for Emu.

Companies, it argues, should be setting up special committees to study Emu. By the middle of 1997 they should be training staff and operating working parties on each of the detailed problems.

These should cover the finance, administrative, marketing, personnel, legal and IT departments, it argues.

The report suggests that the key issues for companies are: copying with the introduction of a new currency for accounting and pricing purposes;

- paying taxes and issuing accounts;
- the legal implications of the switch;
- the impact on IT;
- communicating the change to customers;
- considering how Emu could affect their longer term marketing strategy.

Managing the Changeover to the Single Currency, A.M.U.E. 25 Rue de la République, 75002, Paris, France. Tel: 33-1-45-22-33-34.

Keep conflict out of the office

Using your temper is good for you. I read this in the paper the other day and felt comforted to see an expert extolling the benefits of a good wobble. He was writing about home, but now I learn that the same applies in the office.

According to Strategy & Business, the quarterly from Booz-Allen & Hamilton, conflict is good for work teams, too. The author points out that teams are not the harmonious groups of people with complementary skills that they are cracked up to be, but are riddled with conflict.

The best way of dealing with this conflict, she says, is to bring it to the surface. To that end she has developed models, matrices and workshops for the safe detonation of friction, so that teams can let it all hang out and creativity can prosper.

I am doubtful whether the matrix approach would do much for my grievances and petty

resentments; in any event I see one of my main skills as the ability to sit on these negative emotions. People who do not have this ability are a nuisance to work with; most of them tend to get the sack, whilst a small minority tend to become the boss.

Home is the place for tantrums and throwing saucepan lids; work is for work. Office life should be smooth and professional and that means suppressing conflict. If we all decided to voice even half the things we really felt about our jobs and our colleagues then going to work would become about as peaceful as visiting Bosnia. So much better to smile at your maddening fellow team members, concentrate on the job in hand and kick the dog when you get home.

An interesting document has made its way into my hands called Innovation Within the



Lucy Kellaway

European Dairy Industry. I've long been a follower of the dairy industry: in the 1960s I marvelled at the exoticism of strawberry Ski yoghurt, now I can weigh up the merits of live yoghurt, set yoghurt, French-style yoghurt, low-fat yoghurt, virtually fat-free yoghurt, organic yoghurt, fruit corner yoghurt, country yoghurt, custard-style yoghurt and thick and creamy yoghurt.

You could say that when it comes to innovation the dairy industry has already gone way beyond the call of duty. However, according to this report, innovation is not just a matter of NPD

(which we cognoscenti know means new product development) but of "Total Organisational Philosophy".

Unfortunately I can't afford to find out what that means. I possess a three-page summary of the report; the full version costs £7,500. That sum could keep your whole family in fat-free fromage frais for generations.

It has been a great week for the "total" concept. In addition to Total Organisational Philosophy, I have also just come across the

simpler but no less puzzling concept of Total Management. This autumn The Economist is running a conference called Total Management: Managing Cross-Functional Businesses. Now if Total Quality Management means doing things well, then does Total Management just mean doing things?

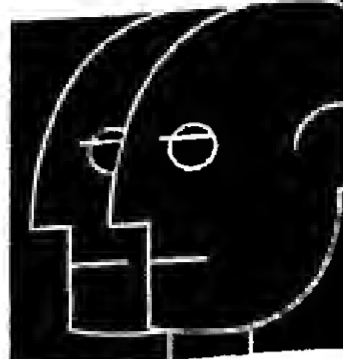
I can think of a superior title for a conference: Partial Management. This means only doing some things. Because managers are more likely to mess things up if they intervene than if they leave well alone, they should consider easing up and letting others get on with their work.

So Dixons appears to be in the doghouse for not following Greenbury on remuneration committees. I have some sympathy with Sir Stanley Kalms: so long as he does not set his own pay, I don't see why he shouldn't chair

the remuneration committee. My boss sets my pay, after all. Equally I sympathise with the small company William Cook, which wrote in last week saying that it had no independent directors; instead of flapping about such issues it concentrates its energies on making widgets.

The existence of an "independent" remuneration committee is no guarantee that pay rises will be reasonable, neither is the absence of such a committee in itself a sign that directors are feathering their nests.

Surely disclosure is the issue; and the powerful check comes from shareholders themselves and the media. I expect the rumpus last week caused by the moving expenses paid to a director of Matthew Clark is going to be more effective than any committee in making companies refrain from paying the boss nearly £500,000 to move from one Georgian pile to another 100 miles away.

PARTNERS
Burford Group

Nigel Wray, 48, and Nick Leslan, 37, became partners in 1988 when Nigel took over the property company Burford Group and Nick stayed as chief executive. They bought the Trocadero in 1984, which was damaged and floated last year. Burford made £15m in pre-tax profits in 1995.

Nigel: "The most important thing about any company is the person who is running it. If you've got a great business and an idiot in charge, the idiot will always win. Nick is an extraordinarily able entrepreneur so I leave it up to him."

He brings in the ventures and the deals whereas I get involved with the stock market side. It was Nick's idea to buy the Trocadero and mine to float it as an individual company. There's a certain amount of interplay although I'm primarily the financial strategist. He's surprisingly mature for his age. He sees things in the medium and long term, rather than a lot of young guys who want to make a fast buck today.

Somebody wanted to put a tits-and-bums nightclub in the Trocadero for a very big rent but Nick refused. When I heard that story I thought, "how much?" then realised that's one of the reasons why Nick's so good. It would have made us a quick profit but in the long term it would have been wrong for the image.

He works much harder than I do. I think someone in an organisation needs to be relaxed and take a wider view, so I'm constantly trying to work less hard. There's a nice buzz about young guys because we both know what we're trying to accomplish and we're both very unpolitical."

Nick: "Like me, Nigel is an old Mill Hillian, although the age difference meant I knew of him long before he knew me. When he took over Burford it wasn't an aggressive bid so I was happy to stay on running the company. It was a case of suck it and see and something just clicked."

He's an incredibly nice guy, with a tremendous grasp of ideas and a wonderful feel for the balance sheet. As a partner he knows when to get involved and when not to. He's more patient than I am. I want it all yesterday, whereas Nigel is happy to wait until tomorrow.

I learned very early on to say "I haven't a bloody clue" when it comes to numbers. He once grilled me for six hours on an aircraft about a ground rent figure I'd given him. It was half correct, but half wrong, and by the end of the journey I was pretty fed up.

We share the same business philosophy and have similar lifestyles in that neither of us is flashy. We're not into corporate jets or grand company cars.

As chairman he takes a more strategic look at the business. When I've made my first £100m I won't work so hard but I've got 11 years to catch up on him. I respect him enormously. Even if he wasn't older and a bigger shareholder, I'd still hold him in the highest regard."

Fiona Lafferty

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BUSINESS EDUCATION

Entrepreneurial spirit is on the increase at US business schools, says Victoria Griffith

Winner takes all

When students at the Massachusetts Institute of Technology's Sloan School of Management competed for the annual entrepreneurial prize...

Today, the awards are treated with utmost seriousness. The prize has been increased to \$50,000 (€33,000) this year, up from \$10,000 previously...

The change in attitude marks a new focus on entrepreneurship at business schools around the US. Students who once seemed destined for jobs with large companies are increasingly likely to strike out on their own.

Business schools are responding to the trend. Kellogg, the business school arm of Northwestern University, offers 11 courses in entrepreneurship, up from just three in 1991...



test their entrepreneurial skills. Many find business schools - with plenty of free advice and easy access to contacts - the perfect incubators for start-ups.

important factor is the growing insecurity students feel in the established corporate world. "It used to be that you got on the escalator and rode it to the top," says Irving Grossbeck...

made life easier for start-ups. Executives can run a sophisticated operation from a desk at home and still feel connected to clients, suppliers and investors.

Rewards for potential

Being a 'clever clogs' is not enough for success

What makes a successful manager? Is it entrepreneurial flair or a head for figures? Is it technical know-how or personal charisma that produces the results?

Such are the sort of questions posed every year at Cranfield School of Management, in the UK, to determine which of that year's full-time master of business administration (MBA) students should receive the Odgers Prize as potentially the group's most successful manager.

and commercial opportunism and have some degree of charisma and command respect. But they should also be tough, a characteristic which is often difficult to find in MBA students because they have not risen far enough up the corporate ladder to demonstrate these attributes, says Odgers.

This year Julian Williams, a business development ace in the alcoholic drinks market, won the award, beating five other short-listed students in the final interview phase.

The shortlist is drawn up by the other MBA students on the course, and some years competition is so fierce that students have gone round canvassing for votes, says Leo Murray, director of the school. "Whatever the final result," says Murray, "being short-listed by their peers is the greatest single accolade they could achieve."

Della Bradshaw

CONFERENCES & EXHIBITIONS

SEPTEMBER 2-5 Fire International 96 Exhibition. The latest firefighting, prevention and protection equipment and services brought together from around the world. More than 250 participating companies.

SEPTEMBER 10-11 Intranets and Network Computers: Shaping the enterprise IT infrastructure. The Intranet - the internal Internet - is the hottest issue in IT today.

SEPTEMBER 10-11 Introduction to Capital Markets. Training course covering Bonds, Equities and introducing their derivative markets (Futures and Options).

SEPTEMBER 10-11 Exchange and Money Markets. Highly participative training course covering traditional FX and money markets featuring WINDEAL, a realistic PC based dealing simulation.

SEPTEMBER 11-12 Integrated Call Centre '96. Computer Telephone Integration has changed how businesses are carried out to the competitive commercial environment.

SEPTEMBER 12-13 UK Housing - the Next Millennium. For senior management from house builders and developers - local authorities - architectural practices - housing associations - manufacturers - trade associations.

SEPTEMBER 23-25 1996 International Electronic Banking Convention. Learn about the latest trends in electronic banking. Topics include: Advent of Virtual Banking; Internet in Retail Financial Services; Emerging Internet Channels; Electronic Commerce and the Superhighways.

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SEPTEMBER 16-20 Introduction to Corporate Credit Analysis. The Foundation course in credit analysis, risk assessment and the canons of lending. Topics of Credit Analysis; Profit and Loss Account and the Balance Sheet; Cashflow, Forecasting, Sensitivity Analysis; Spreading, Ratios, Key Indicators; Business Plans, Debt Service Capacity, Covenants, 5 days.

SEPTEMBER 17 Performers' Tax and Finance. Widely regarded as the premier event for advisers to sportsmen and entertainers. With tax authorities becoming more aggressive in collecting what they believe is their share of the performers' earnings, along with the many recent tax changes, this event has never been more topical.

SEPTEMBER 18 Tax Techniques For Property Transactions & Investment. A must for tax practitioners following the many recent developments through changes in legislation, practice and case law. An in-depth update on the latest tax techniques for property transactions for all practitioners whether advisers, developers or investors.

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SEPTEMBER 26 & 27 FT WORLD MOBILE COMMUNICATIONS. Strategies for the Wireless Millennium. The challenges of valuing and financing mobile operations: Industry progress towards the consumer market; the market positioning for new entrants will be discussed and debated by key speakers.

OCTOBER 7 FT DIAMONDS - New Horizons in Mines & Markets. This one-day conference will review the significant changes taking place in the international diamond industry, examining the boom in worldwide exploration for diamonds, the impact of possible new producers on the market and the growth of new consumer markets in Asia, Europe, North America, South Africa, Europe and Australia.

OCTOBER 15 & 16 Developing the New IT Scenario. Delivering business value is a recognised priority for IT. The challenge lies in translating this goal into a measurable strategy. Packed with the latest thinking and practice, this is the only UK event where you will discover how to develop and implement a balanced IT scenario.

OCTOBER 20 - NOVEMBER 1 Retail and Wholesale Banking Seminar. 2 week residential seminar for bankers from the emerging markets. Retail banking covering payments systems, credit assessment & trade finance. Wholesale banking including Foreign exchange, Money markets, Capital markets and derivatives.

OCTOBER 21-22 Utility Week - IT in Utilities Congress. Hamburg Congress Centrum. The IT in Utilities '96 Congress and Exhibition is the second forum of its kind for senior managers in the electricity, gas, telecoms and water industries to meet and discuss effective IT strategies for European utilities.

OCTOBER 24 & 25 FT TECHNOLOGY IN RETAILING. Strategies for Success in a Rapidly Changing Environment. Arranged in association with Retail Technology magazine, this conference will address the major strategic and tactical issues identified by research in both the UK and within continental Europe.

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OCTOBER 22-23 Business Performance Measurement. A two day conference addressing the key issues in the implementation of business performance frameworks including practical lessons in the Balanced Scorecard, Process Benchmarking and Quality approaches.

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INTERNATIONAL SEPTEMBER 3-6 Asia in Poland (AUTUMN - Consumer Goods Fair) (Consumer, Toys, Sports, Jewellery, Food) Poznan Fashion Week. The largest organiser of mode fairs in Poland and one of the largest in Central/Eastern Europe. 15,000 exhibitors from 58 countries and 950,000 visitors to 1995 Poznan International Fair Ltd.

OCTOBER 1-2 Investing in Russia: New Horizons. Two day conference designed to acquaint western investors with the perils and profits of the investment boom with regard to small and medium businesses in Russia. Topics: capital venture markets; innovation programmes. Key speakers from the Russian Government and the Ministry of the Economy, ERD, Mecs Piersol FR America, Hotel Sofitel.

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BUSINESS TRAVEL

Travel News - Roger Bray

Liability curbs end

Improved compensation could be on the way for passengers injured in airline accidents - and for the relatives of those killed. Leading airlines have proposed that liability should no longer be limited by international agreement but should reflect awards made by courts in the country where the traveller lives.

example. These amounts may not be adequate to compensate for the loss of a high earner. To get more you must take costly legal action to prove negligence, but under the proposed new system passengers will no longer have to show that the airline is at fault.

The limit has been kept low in the US, with its culture of litigation, by the assumption that everyone there will sue anyway in the event of an accident.

The International Air Transport Association says 52 member airlines, including most of the

world's biggest carriers, have agreed the change.

Ethiopia warning

The UK Foreign Office has warned travellers to be vigilant in Ethiopia, where bombs have been going off at hotels in the capital, Addis Ababa. An explosion in the Wabe Shabelle hotel earlier this month is reported to have killed one person and injured 11 others, including a European.

It is believed the bombs may have been planted by Ethiopian Somalis from Ogaden, where separatists have been fighting a battle for autonomy.

Typhoid alert

The former Soviet state of Tajikistan, in central Asia, continues to suffer from an outbreak of typhoid. The World Health Organisation reports between 30 and 40 new cases every day. The outbreak has been blamed on ageing and badly maintained sewage systems which overflowed after heavy rains earlier this year, contaminating drinking water.

India takes off

Competition countries to pump oxygen into India's one-staged domestic airline industry.

Jet Airways has just launched services between Delhi and Calcutta, completing the triangle which includes Bombay. Flights on the new route operate twice a day in both directions, allowing business travellers to make day trips. The airline operates 11 Boeing 737-300s and 737-400s on 23 routes.

Flight times fall

International airlines could start commercial flights over North Korea as early as December, cutting journey times from Europe and the US to Asian cities.

which is believed to be keen to earn revenue from flights through its airspace. Airlines hope that new, more direct routes to destinations such as Hong Kong and Seoul could be established permanently from next year.

The move could benefit passengers on up to 60 services a day, including those between North America and cities such as Taipei.

Airlines may at last be able to offer non-stop flights from Chicago and Toronto to Hong Kong, British Airways, which diverts its flights south over Japan, says it would cut journey times by up to 90 minutes.

Likely weather in the leading business centres

Table with 7 columns: City, Mon, Tue, Wed, Thu, Fri, Sat. Cities include Madrid, Frankfurt, Amsterdam, etc.

Amon Cohen on Delta's plan to aid laptop users

More power to your elbow

More business travellers are using their laptop while airborne, even though work grids to a halt when the battery runs flat. Delta Air Lines thinks it has found the solution: it claims to be the first carrier to offer an in-flight power source for laptop computers.

It is offering the complimentary facility, EmPower In-Seat Power Supply, to first-class passengers on one of its domestic Boeing 767s for a six-month test.

How to stay cool on the road

Scheherazade Daneshkhu offers advice for stressed executives

Business travel had for your health? Most executives travelling more than 100 miles regularly on business suffer from stress-related symptoms, according to a survey of company directors.

Almost two-thirds of the 350 senior managers of UK and international companies surveyed by The Athenaeum, a London hotel, said they suffered physically, particularly from fatigue and aching limbs.

are not that demanding of hotels, but missing a wake-up call before a meeting or flight, or fire alarms going off in the middle of the night, can make the mildest person abusive.

Dr Antony Ashe, a general practitioner who treats a number of business travellers, says there is growing awareness among doctors of the detrimental effects of stress caused by business travel, but says that little is being done to evaluate the impact on both the individual and business.

Professor Cary Cooper, an organisational psychologist at the University of Manchester's Institute of Science and Technology, says senior executives usually do not admit to stress, and recognising the problem is a good first step.

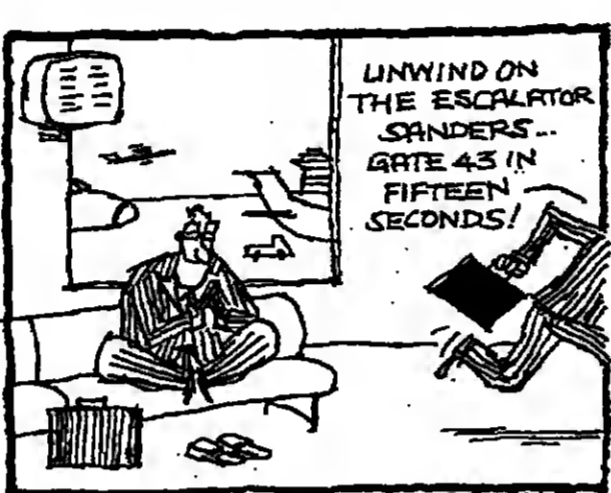
Dr Ashe says executives often do not even realise they are stressed. "Some patients who use aeroplanes, like taxis, say they don't feel stress because they fly first class and are chauffeured to and from their destinations."

to work. Just under 60 per cent travel with a laptop computer, and 85 per cent either always or sometimes carry a mobile phone.

Dr Ashe says that working while travelling is usually a mistake. "When you are flying through time zones you may not be aware that your body is trying to wind down, so you keep working. You may feel you have achieved a lot, but the long-term effects from not switching-off can be more counter-productive."

Stress can lead to increased blood pressure and a rise in cortisone levels which can reduce the effectiveness of the immunity system, says Dr Ashe. This can make those who push themselves hard more vulnerable to illnesses such as flu, which in turn can mean taking days off work.

Prof Cooper says the cost to companies can be much greater than the cost represented by days off for illness. "Companies have usually invested a lot of money in these people, but if they are subject to a lot of stress they will either burn out or make the wrong decision."



company. Barings was an extreme case, but even if someone makes a mistake on one small detail on a contract, it can cost a lot of money.

To take the stress out of business travel, companies and executives should: Allow more time. The survey found that driving was considered the most stressful form of domestic travel and that 35 per cent of executives suffer from road rage.

might be short on vitamins and minerals," says Dr Ashe. Airline food tends to be high in calories and low on roughage. "Although it may be impossible to avoid eating on the hoof, make sure you also get a decent meal such as meat and two vegetables."

Ha also believes that companies should occasionally pay for partners to travel as well. "Margaret Thatcher took her support system - her husband Denis - with her. She knew the importance of that better than anyone."

Ha also believes that companies should occasionally pay for partners to travel as well. "Margaret Thatcher took her support system - her husband Denis - with her. She knew the importance of that better than anyone."

SPORT / ARCHITECTURE

Michael Thompson-Noel - Sport

Has Nationwide got a pig in a poke?

Funny business, sports sponsorship. Some sponsorships, such as Carling lager's link with England's elite Premiership soccer division, resonate with common sense: Carling, sixpence, balmy soccer stars, machismo, sex. Nothing could be simpler.

organisation with strong roots in the community, and we are always looking at ways of promoting awareness of the benefits we can offer and of further strengthening customer relationships.

- coming into the league. BSkyB plans to screen more than 60 live league games per season.

but if he stays at Portsmouth it could shoulder its way into the Premiership. "I was told there are investors waiting to put money in," he said last week, "but that hasn't happened yet."



Ex-England coach Terry Venables (centre) has now thrown his hand in with loss-making Portsmouth

or more of a UK market worth approximately \$40m. (Its cheapest football costs \$4.99). The Ultimax is also the exclusive match ball of England's Football League and of America's Major League Soccer, as well as many top leagues and teams worldwide, from Europe to Australasia.

fully aerodynamic, 26-panel ball that incorporates an exclusive soft-touch micro-fibre material. The ball's "revolutionary performance" and "absolutely true flight", it maintains, are "now acclaimed as a major contributor to the attractive football witnessed in the Premiership last season."

still has a bit of prestige and market share to go for? "Absolutely," says Mitre.

Ivan Lendl used to try to destroy opponents. Now he is happy just to find his ball. As a tennis star, Lendl, 36, won eight grand slam titles, but had to retire two years ago with chronic back trouble. Now he is trying to hack along as a golfer, returning to his homeland last week to make his first start in a European Professional Golf Association tour event at the Czech Open in the spa town of Mariánské Lázně.

Colin Amery - Architecture

A mission to civilise the century

The last few weeks have seen the deaths of two of the longest lived and, in their way, most influential modern designers in Britain. Sir Geoffrey Jellicoe, who was 95, was the most significant landscape architect of his time. He spanned the century and was working to the end of his life. And Dame Jane Drew, who was 85, created, with her second husband, Maxwell Fry, a firm that had enormous influence.

colts believed they had a divine mission to change the world. In the 1930s Drew was a member of the Modern Architecture Research Group, an assembly of architects, artists and industrialists with a mission. Drew later wrote: "We were terribly arrogant, we thought we could plan the world, certainly plan a new basis for life."

which has been a blessing and a curse. But their achievements are so large they outweigh the arrogance.

Le Corbusier, and with the Indian authorities, particularly Pandit Nehru, encouraging him to recruit young Indian architects. Nehru wanted the new capital to be "symbolic of the freedom of India unfettered by the traditions of the past."

Her own buildings at Chandigarh are simple, modest and deferential to the climate. She built government and private housing, health centres and schools. Prototypes of the houses were lived in by the inhabitants before being built. That early form of public consultation was not, alas, continued in the UK.

enough to have had their gardens made by him, and by the public who visit the Kennedy memorial at Runnymede and the 25 acres of the Moody historical gardens at Galveston in Texas.

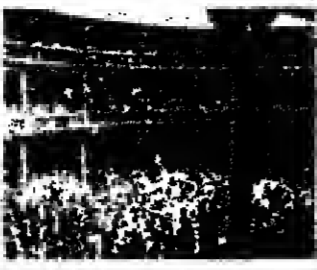
His pioneering study on the Italian gardens of the Renaissance established the importance of linking architecture and landscape. He understood the importance of the spirit of place, the genius loci, and made it accessible. He was able to modify motorways, enhance power stations and reduce the impact of industry on the delicate English landscape.

Both these pioneers helped civilise the century. They should not be forgotten.

ARTS

LONDON

On Wednesday Shakespeare's Globe (below) finally opens on Bankside. A short prologue season of *The Two Gentlemen of Verona* runs until September 15, with the Globe's artistic director Mark Pylance (left) in the role of Proteus. The aim is to present the works as authentically as possible. Admission for the groundlings is £5.



EDINBURGH

The main theatre highlight this week at the Edinburgh Festival will be Carlos Santos's *L'espionnage vengé* (The Splendid Shame of the Dead Body Done), a work performed in Catalan by an artist who has been compared to Pedro Almodóvar. It opens at the Kings Theatre on Friday. James MacMillan's (left) first full-length stage work, *Ines de Castro*, is premiered by Scottish Opera at the Edinburgh Festival Theatre, also on Friday. MacMillan's libretto is based on a play by John Galford, telling a story of love, politics, murder and revenge in 14th century Portugal. Helen Field heads the cast in a staging conducted by Richard Armstrong.

HELSINKI

Two bass-baritones sang Edinburgh recitals last week: Bryn Terfel, the Welshman and toast of the whole operatic world, to a packed Usher Hall on Thursday night, and the veteran Finn Tom Krause to the no less packed - but much smaller - Queen's Hall the next morning. They even sang two of the same Schubert songs. Much to enjoy in each recital; much to think about in the comparison.



By the end of summer, just as Michael Jackson sweeps into view for his first Prague concert, the Czech Republic will have its first megastore devoted to entertainment. To western eyes it represents a small step down the road to consumerism. But in Prague - where pop culture was frowned on until seven years ago - the opening of Bontonland marks the coming-of-age of an independent electronic entertainment industry.

Situated on a prime site in Wenceslas Square, Bontonland will sell compact discs, videos, electronics, food and drink. It is the latest chapter in the success story of Bonton, a Czech company which has profited from the post-communist vacuum in home-grown music and entertainment. In the six and a half years since the Velvet Revolution, Bonton has developed from a four-man band into a conglomerate of 15 companies embracing radio, film and music. Its turnover in 1995 was Kcs700m (£18m), a figure which will nearly double in the current year.

Like other commercial ventures in newly-democratised eastern Europe, Bonton paid bargain prices for assets bequeathed by communism - notably the back catalogue of the former state record company, Supraphon. But unlike numerous counterparts elsewhere, it never sold out to foreign control in the post-revolutionary scramble for investment and growth. Only 27 per cent of its shares are owned by foreign institutions. As such, Bonton is an all-too-rare case-study in how to thrive and maintain independence in the transition from communism to capitalism.

Bonton is the brainchild of Martin Kratochvil, a jazz musician who studied in the US after the 1968 Soviet invasion of Czechoslovakia. On his return in the late 1970s, Kratochvil founded a recording studio, initially to produce his own music for film and television; the authorities turned a blind eye because they thought jazz, unlike rock and roll, was not dangerous. When Czech communism collapsed, Kratochvil had a commercial edge over his competitors. Not only did he own ready-to-release master tapes, he was also a friend of Václav Havel, leading dissident and future president. Bonton's first recording was of Havel reading his protest play *Audience*. People queued to buy it, and sales reached 100,000.

Six months later, when the Rolling Stones visited Prague, Bonton negotiated a licensing deal for their *Steel Wheels* album. Although it sold at three times the price of other records, there was no shortage of buyers. Cash in hand, Kratochvil and brother-in-law Michael Kocáb dived into other investments. Czech Yearself-English on cassette was followed by *Tank Battalion*, the first privately-produced film in the former Soviet bloc.



Martin Kratochvil: the brainchild behind Bonton who snapped up the former state record company Supraphon and its priceless archives

Boom-time for Bonton

Andrew Clark reports on a Czech success story in the electronic entertainments business

The timing was perfect. Based on a popular anti-communist novel by the dissident Czech writer Josef Skvrnec, the film was an instant box-office hit. Worldwide rights for Bonton's second movie were snapped up by Columbia TriStar. Kratochvil used the profits to found Prague's first commercial radio station, and from there it was but a short step to video. Bonton now controls 42 per cent of film distribution in the Czech Republic.

Its latest success is the country's first cinema complex, Galaxie, with 10 screens, plus restaurants and other facilities. It snatched a third of Prague's cinema business within weeks. Citing a 50 per cent slump in cinema admissions since the revolution, Kratochvil sees the Galaxie concept as a marketing tool to drive the Czech cinema industry out of depression.

But the jewel in Bonton's crown is Supraphon. Under communist rule, Supraphon had a virtual monopoly on record production, music publishing and retail outlets. It was a slow-moving bureaucracy which followed the Party line. But thanks to Jaroslav Seda, artistic director

between 1963 and 1978, Supraphon built an archive of recordings of music by Czech and Slovak composers, at a time when standards in Czech musical life were at an all-time high.

In 1990, deprived of state financial support in the new free-market world, Supraphon collapsed. Havel and other luminaries were anxious that such a valuable national resource should remain in Czech hands. When Bonton took majority control in 1993, it inherited Kcs180m of debt and a legal headache: most of Supraphon's 142 shops were the subject of property restitution claims, and Bonton ended up with 23. But it also inherited 70,000 master tapes - a treasury of Czech music from the baroque era to the present.

After divesting its publishing and retail arms, and handing over its pop interests to Bonton Music, the reconstituted Supraphon set to work on the archives. Its recordings sell for less than foreign imports, making them particularly attractive for tourists. And with improved marketing and distribution, exports now account for 25 per cent of sales. Supraphon has also returned to

its traditional role as a record producer - partly to showcase up-and-coming Czech artists, partly to provide a continuous archive for posterity, and partly to plug important gaps, such as music by Schulhoff and Fibich. This, rather than Mozart and Beethoven, is where Supraphon finds its niche.

Bonton's priority is to make money - and given the international slump in sales of new classical recordings, Supraphon's profitability lies in its back catalogue. Re-issuing a vintage Janáček opera on CD, in good stereo sound from the 1960s, costs 10 per cent of the cost of a new set. Supraphon's 1996 budget for new recordings amounts to a mere Kcs8m (£200,000) - of which nearly half comes from commercial sponsors.

With Supraphon now established in the Bonton stable, television is the only electronic entertainment market which Kratochvil has yet to crack. But the question remains: why has he succeeded where thousands of other entrepreneurs have gone

boom-and-bust? Kratochvil, 50, had the advantage of being first off the mark in a small, well-contained market. Having friends like Havel was a help, and he pays tribute to the way the Czech privatisation programme was implemented: "It was clear-cut, with no conditions attached - unlike other east European countries, where there have been attempts by the state to keep an influence in companies after the sale."

Kratochvil was wise enough to recognise his own commercial inexperience. After the initial boom, he brought in American business graduate Mick Hawk, who instilled the necessary financial disciplines. But he recognised that Bonton had to take risks to profit from the vast opportunities in the newly-privatised Czech market-place. "We poured all our money into *Tank Battalion*," recalls Hawk. "It had to be a success. And from that came all the other ventures."

Supraphon was another huge risk: before the purchase, Hawk had little idea of its assets and liabilities, and many observers predicted it would drag Bonton into bankruptcy. But two months

after paying Kcs15m for Supraphon, Hawk sold the Japanese distribution rights to Nippon Columbia for nearly five times that amount, in what he calls "the deal of the century. We grew so quickly, but the growth was fuelled by cash flow. We've also tried to play the Czech card as strongly as possible, because that's where our advantage lies. In every field, our only competitors are foreigners."

By the end of 1994, Bonton was ready to widen its financial base, raising £5.5m in a private share placement which saw the value of the original shares jump from £200 to £25,000. The company has yet to pay a dividend, but it hopes to go public next year.

Hawk says the key to Bonton's success is its focus on entertainment. "There have been endless possibilities for investment these past six years, and Martin (Kratochvil) would have loved to try them all. But too many companies in eastern Europe have gone out of business because they went crazy, expanding into areas they couldn't manage. They lost their focus. We have stuck to what we know, and it's been a great ride."

Edinburgh 96 Recitals to be compared

Two bass-baritones sang Edinburgh recitals last week: Bryn Terfel, the Welshman and toast of the whole operatic world, to a packed Usher Hall on Thursday night, and the veteran Finn Tom Krause to the no less packed - but much smaller - Queen's Hall the next morning. They even sang two of the same Schubert songs. Much to enjoy in each recital; much to think about in the comparison.

Terfel is in magnificent young voice. One might say in his prime, but that would be to pre-empt judgment about the next decade or two. He is so remarkable a performer and artist that he may astonish us with new levels of maturity. His natural ebullience and buoyancy remind me of nobody so much as the Krause of 30 years ago. Now, Krause at 62 is a dignified, warmly engaging artist with reduced vocal means (he pleaded a slight throat infection, but the voice has been audibly ageing for some time).

Nonetheless at the end, like Terfel with his lusty Vaughan Williams songs, Krause rose to commanding power - as much interpretative authority as force - with Mussorgsky's *Songs and Dances of Death*. Earlier his Schubert songs had been beautifully sketched (though one had to play join-the-dots a bit), his Strauss ones genuinely moving. His Schubert songs naturally easy and heartfelt. His marked Finnish accent in German is appealingly down to earth.

Terfel's display was triumphant, even triumphal. He played with the audience, praised the hall, sang a Welsh encore to the audience seated behind and above him on the stage. He applied all his operatic resources to his Schubert *Leierlied*. Only a performer with his supercharged charisma could have got away with acting out "Die Forelle" so elaborately; but he did impersonations for the first-person singers of "Rastlose Liebe" and "Ganymed", too, which struck me as both original and vividly apt.

He misjudged how far his dramatic pianissimo would penetrate (in fact it was nearly inaudible in row G). His German is excellent; in French - he characterised Ibert's Don Quixote songs with great imagination - he sings nasal "on's" exactly like "an's", which needs correcting before he finds himself making unfortunate puns. Terfel's superb diction is almost an unnecessary bonus, but he might as well get it completely right.

David Murray

INTERNATIONAL ARTS GUIDE

AMSTERDAM
CONCERT
Concertgebouw Tel: 51-20-5730573
● Amsterdamse Bach Solisten: with conductor Marc Minkowski and flautist Mariëke Schoneemann perform J.S. Bach's Suite for Orchestra Nos. 1, 2, 3 and 4; 8.15pm; Aug 20
● Noordhollands Philharmonisch Orkest: with conductor David Porcelijn and pianist Enrico Pace perform works by Sculthorpe, Saint-Saëns, Andriessen and Schubert; 8.15pm; Aug 23

BERLIN
EXHIBITION
Altes Museum Tel: 49-30-6901332
● Lovis Corinth: retrospective exhibition devoted to Lovis Corinth, one of the leaders of German Impressionism. The display includes nearly 150 paintings, about 60 drawings and watercolours, as well as a selection of prints. After Munich

the exhibition travels to St Louis and London; to Oct 13

BOSTON
EXHIBITION
Museum of Fine Arts Tel: 1-617-267-9300
● Gauguin and the School of Pont-Aven: this exhibition features 80 oil paintings, 30 works on paper and four sculptures, including works by Gauguin, Bernard and 18 other artists associated with Gauguin's presence in Brittany; to Sep 15

BREGENZ
OPERA
Bregenzer Festspiele - Festspiel und Kongresshaus Tel: 43-5574-4920
● Fidelio: by Beethoven. Performed by the Wiener Symphoniker, the Sofia Chamber Choir, the Choir of the Russian Academy Moscow and the Bregenzer Festspielchor. Soloists include Susan Anthony, Mariette Kemmer, Adina Nitescu, Wolfgang Fasler, Walter Fink, Jürgen Freier, Sergei Leiferkus and Alan Titus. Part of the Bregenzer Festspiele; 9pm; Aug 20, 21, 22

CHICAGO
MUSICAL
Candlelight Dinner Playhouse Tel: 1-708-496-3000
● Seven Brides for Seven Brothers: by Kasha & Landay. Directed by David Perlovich and performed by the Candlelight Dinner Playhouse. The cast includes Kathy Voytko and Robert

Gallagher; Wed 2pm & 8.15pm, Thu, Fri 8.15pm, Sat 4.15pm & 9.30pm, Sun 2.25pm & 7.30pm; to Oct 20 (Not Mon)

COLOGNE
EXHIBITION
Römisch-Germanisches Museum Tel: 49-221-2214438
● Tu Felix Agrippina: this exhibition features images of members of the family of the Roman Emperor Augustus. Among them is Agrippina, who founded the city of Cologne. Exhibition on the occasion of the 50th anniversary of the Römisch-Germanisches Museum; to Oct 27

EDINBURGH
OPERA
Edinburgh Festival Theatre Tel: 44-131-5286000
● Ines de Castro: by James MacMillan, after the play Ines de Castro by John Galford. World premiere, conducted by Richard Armstrong and performed by the Scottish Opera. Soloists include Helen Field, Elizabeth Byrne, Jeffrey Lawton and Stafford Dean. Part of the Edinburgh International Festival; 7.15pm; Aug 23, 25

HAMBURG
CONCERT
Musiktheater Hamburg Tel: 49-40-346920
● Symphonischen Nacht: the Hamburger Symphoniker, conducted by Plácido Domingo, perform overtures and

intermezzos. Part of the Hamburger Opernwache; 8pm; Aug 21

LONDON
EXHIBITION
National Gallery Tel: 44-171-7472885
● Degas: Beyond Impressionism: this exhibition features the late work of Edgar Degas. Degas achieved fame with his pictures of the ballet and the racecourse, but he continued to work long after this period, often experimenting with new techniques and subjects; to Aug 26
● Mountain Gloom, Mountain Glory: this exhibition celebrates the enduring enthusiasm for mountain scenery felt by J.M.W. Turner and other British artists. Selected from both the Turner Bequest and the Tate collection, this display of watercolours shows the changing role played by mountain landscape in the art

of the mid-18th to late 19th centuries; to Oct 6

MADRID
EXHIBITION
Palacio de Velázquez Tel: 34-1-573-82-45
● Cindy Sherman: exhibition of about 70 photographs featuring examples of the "Untitled Film Stills" of 1977-1980 which brought Sherman international recognition. Also on show are works from her most extreme photo-series "Disgust Pictures" (1986-1988), "Sex pictures" (1992) and "Honor Pictures" (1995), the most recent of which have not been exhibited; to Sep 22

NEW YORK
CONCERT
Avery Fisher Hall Tel: 1-212-875-5030
● Solisti Veneti: with conductor Claudio Simone and soprano June Anderson perform works by Boccherini, Vivaldi and Albinoni. Part of the Mostly Mozart Festival; 8pm; Aug 20

PARIS
EXHIBITION
Centre Georges Pompidou Tel: 33-1-44 78 12 33
● Dessins contemporains du Musée de Bâle: this exhibition shows a collection of contemporary drawings, collected by Dieter Koepplin, the curator of the Kunstmuseum Basel; to Sep 30

VIENNA
EXHIBITION
Museum für Angewandte Kunst Tel: 43-1-71136
● Light Materials. Textiles from the Biedermeier Period 1800-1850: exhibition featuring Biedermeier textiles from the holdings of the Museum für Angewandte Kunst. Also on display are engravings and drawings of fashion designs; to Jan 12

Toulouse-Lautrec, all drawn from the museum's holdings of the artist's work. The display features portraits and figure studies in oil and gouache, ink and colour chalk drawings of animals and circus subjects, and the famed posters and prints Lautrec made to publicise Parisian performers and nightspots, including the Moulin-Rouge; to Sep 15

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Financial Times Business Tonight

صكيا من الأصل

Michael Prowse • America

Supply-side revival

The US and other countries could benefit from a return to the tax-cutting philosophy of the 1980s

Mr Jack Kemp's presence on the Republican presidential ticket has revived interest in "supply-side" economics - the tax-cutting creed of the Reagan era. He gained fame in the late 1970s as one of the congressional sponsors of legislation proposing a 30 per cent cut in tax rates over three years. The revolutionary plan was the inspiration for President Ronald Reagan's sweeping tax cuts of 1981.

Critics tend to dismiss the supply-side episode as a disastrous exercise in wishful thinking. History, they say, has entirely refuted the optimistic claims of the gurus who influenced Mr Kemp, such as economist Arthur Laffer and journalist Jude Wanniski. Tax cuts did not pay for themselves. They produced record budget deficits, lowered the savings rate and undermined the living standards of future generations. The last thing anybody needs is a replay of the 1980s.

Such a caricature is somewhat unfair. For all its occasional hyperbole, the school deserves enormous credit for stimulating a global rejection of confiscatory rates of taxation. Recall that when Prof Laffer drew his famous curve on a napkin in a Washington restaurant in the mid-1970s, the US had a top income tax rate of 70 per cent.

tax rates beyond that critical point would reduce revenue. For some income groups, he argued, the US had reached this zone of diminishing returns.

He was right. In the 1980s the share of taxes paid by the wealthy did indeed rise as the top rate declined. Critics respond that this happened only because the incomes of the rich rose even faster than the tax rate fell. Of course, but incomes would not have risen so rapidly but for the tax cut. The basic insight of the supply-siders - that human behaviour changes in response to tax rates - was correct.

It was not just that top earners worked harder and longer - the kind of effect that had been emphasised in the 1970s. Equally important, they exposed more income to taxation: for example with a top rate of 70 per cent, many people took untaxed fringe benefits in lieu of salary. When the top rate fell to 28 per cent in 1986, they took cash instead.

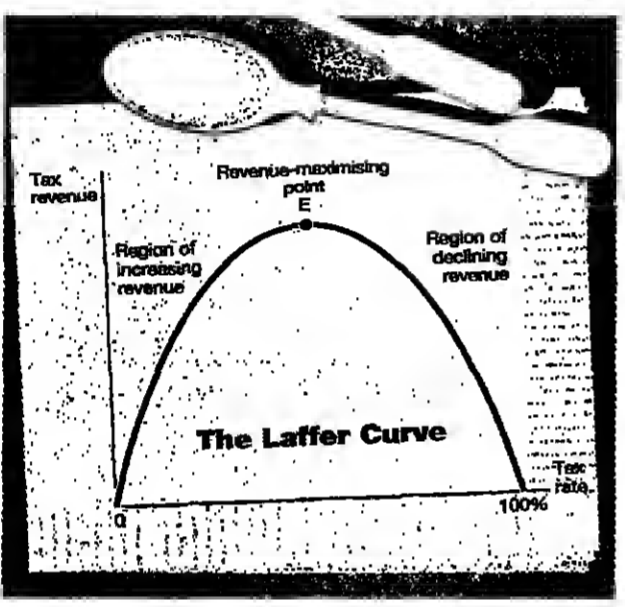
The surge in the reported income of the wealthy was thus in part illusory; much of the income existed but was not taxed. Social spending on "entitlements" such as pensions and healthcare - which accounted for a larger frac-

tion of the budget - also surged in the early 1980s. The tax share of gross domestic product dipped only temporarily; by 1990, thanks in part to tax increases in intervening years, federal receipts were 19.1 per cent of national income, compared with 19.4 per cent in 1980.

Should supply-siders be blamed for the deficits that eroded faith in their policies? Arguably not. Had Republicans controlled the House of Representatives (as they almost certainly will, should Mr Dole be elected), they would have insisted on curbs in social spending to offset tax cuts and higher defence spending. But as it was, deficits were the price Mr Reagan had to pay for achieving his other goals.

And they no longer look so terrible by the standards of other countries. According to the OECD, the US general government deficit (which includes all tiers of government) peaked at just over 4 per cent of GDP. That is comparable to recent deficits in Japan and Germany and far lower than those in France and the UK, which peaked at 6.1 per cent and 7.8 per cent of GDP respectively.

And deficits that partly reflect low taxes are surely preferable to those that reflect permanent mass unemployment. But since US tax rates (even after the Clinton increases) are now at or below the revenue maximising level, is Mr Kemp needed? Yes: the goal of government should not be to soak taxpayers to the greatest degree possible. Today's top tax rates of 40 per cent (excluding state and local taxes) distort economic decisions and impose significant efficiency losses. Even if Mr Dole's 15 per cent cut were implemented, marginal rates would still be higher than in the late 1980s. The work of supply-siders is far from done.



LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are pleased to encourage letters from readers around the world. Letters may be faxed on +44 171-873 5938 (please see fax on "fax"), e-mail: letters.editor@ft.com. Published letters are also available on the FT web site, <http://www.ft.com>. Translation may be available for letters written in the main international languages.

Symbol of UK's paradoxical attitude to the European Union

From Mr David Vigar.
Sir, The Foreign Affairs Select Committee report on Europe ("Isolated EU position forecast", August 15) neatly symbolises Britain's paradoxical attitude to the European Union.

On one hand it warns against isolation; on the other it defends the policies that lead to it. The position is logically and politically unsustainable. Neither MPs nor government can go on doing the splits for much longer.

The other EU nations are determined to take joint action in a number of new areas and to increase the number of decisions taken by majority vote. Either Britain negotiates seriously on these issues or she moves away from full membership into something like associate member status.

But before we consign ourselves to the second division we should consider whether the proposals are as flimsy as they are assumed to be - and whether we might not

actually benefit from participating and helping to shape the outcomes.

For example, because he objected to the European Court's role, Michael Howard delayed the full operation of Europol, an agency set up to catch drug smugglers and illegal immigrants. It appears we would rather be soft on crime than soft on Europe. The idea of an EU-wide immigration policy is presented as the work of the devil and yet it could well mean a properly policed external border and a tough set of commonly agreed rules. Given Germany's recent record on immigration, an EU approach could actually mean being tougher.

As for majority voting, without it UK firms would not now have access to European markets. Mrs Thatcher knew that when she voted to remove national vetoes on the single market. The anti-fraud programme that Britain is promoting will have a much tougher pas-

sage if individual countries can throw roadblocks in its path. Enlargement of the EU will be stymied if Portugal or Greece can block attempts to reform the qualifying criteria for aid from the EU budget. Otherwise, the choice will be between giving the new members some £39m out of western pockets or denying them membership altogether.

Serious issues demand serious attention. Britain will never get the best out of EU membership if every new proposal to share decision-making and pool resources has the same effect as a mouse on a pantomime dame. If the UK is to share in the benefits that the other EU nations are determined to secure, she must develop a policy rather than a posture.

David Vigar,
director of communications,
European Movement - UK,
Dean Bradley House,
52 Horseferry Road,
London SW1P 2AF, UK

Executives in law firms

From Mr Paul Millett.
Sir, I think you will find that the trend for appointing non-lawyers to non-executive positions within law firms has been evident for some time (People: "Solicitors pick non-lawyer", August 15).

John Jackson was appointed our chairman in April 1992. I believe it was the first appointment of his kind. Among his several public company directorships he is chairman of Ladbroke. John chairs all our partnership and management board meetings. His office is in our building so we have ready access to him.

We would recommend that any commercial law firm of significant size considers such an outside appointment. John's experience has been helpful in bringing a businessman's perspective to our practice of the law.

Paul Millett,
partner,
Mishcon de Reya,
21 Southwark Row,
London WC1B 5SH, UK

Confusion over new EU rules on guest beers in pubs

From Mr Iain R. Loe.
Sir, Dr Peter Dixon's assertion (Letters, August 12) that the European Commission has suggested new rules that would allow guest beers in pubs to continue to be reserved for small breweries is news to us.

The Commission has yet to make public what its alternative definition of a guest beer is. Currently, any cask conditioned beer produced by any brewery anywhere in the world qualifies as a guest beer; be it Duxigat Beer, Woodford's Whisky (Canada's Champion Beer of Britain 1996), or a Kellerbier from Germany.

If Dr Dixon is saying that now a guest beer can only come from a brewery which produces less than a certain amount of beer, I would be fascinated to learn how he thinks such a system can work.

Will the European Commission be setting up an inquiry service so that eligible tenants, fewer than 6,000, will be able to phone up and check on the annual production of a brewery they may be thinking of stocking?

There are almost 1,200 breweries in Germany. Can Dr Dixon tell me which ones would qualify under these new guest beer regulations?

The UK beer market is the most open in Europe. Only in the UK do we have a guest beer regulation. In Greece, Belgium or France if you are tied, whether by property tie, loan or distribution agreement to a major brewery you are not entitled to a guest beer. More than 200 foreign beer brands are imported into the UK, more than for any other EU country.

We await the actual wording of the proposals from the Commission.

Iain R. Loe,
research manager,
Camra,
230 Hatfield Road,
St Albans AL1 4LW, UK

National Grid

From A. M. Ruston.
Sir, Is it coincidence that the regulator has published his new proposals for the National Grid ("Watchdog 'outrages' National Grid", August 14), long after the original owners have unloaded their shares on to the unsuspecting public? I foresee another group of sad "Sids".

A. M. Ruston,
83 Riverside Gardens,
Romsey,
Hampshire SO51 8EN, UK

At a clogged crossroads

London is feeling the crush of record numbers of tourists, says Antony Thorncroft

It was not quite what the London Tourist Board wanted to hear. West London's East End area was "repellent"; it was "filthy". If you avoided treading on a sleeping vagrant you were likely to slip on beer dregs or worse.

The disenchanted observer speaking his mind recently was Trevor Nunn, one of the UK's leading theatre directors. He was no more flattering about the dramatic output of the theatres that spread out from the city's focal point, Piccadilly Circus, describing it as "pusillanimous" and "superficial".

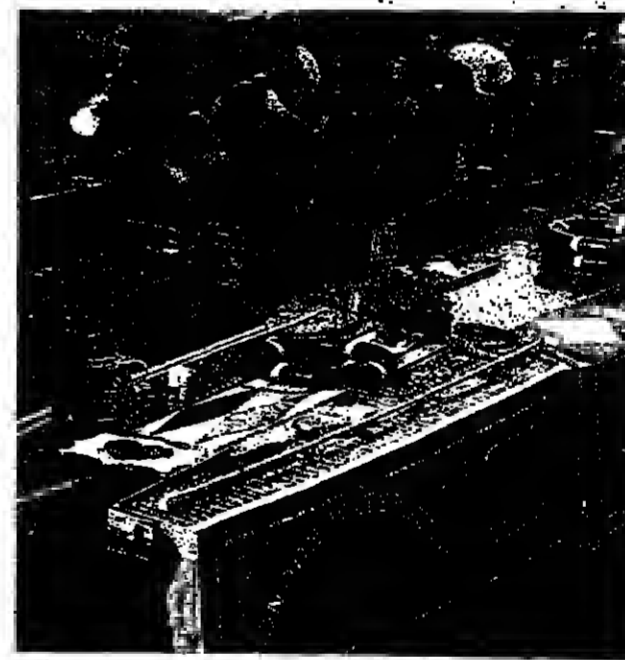
For the tourist board this was a particular blow to the heart. It cannot promote London for its weather or its charm. Instead it promotes its culture, especially its historic monuments and museums, and its theatres. One in three of the record 11.5m tickets sold in the West End last year went to a foreign visitor, and another third to UK tourists.

Fortunately the board can afford to brush off Trevor Nunn's attack. Last year a record 23.6m visitors came to London, more than 13m of them from overseas. This was an appreciable increase over the 20.1m in 1994. This year is looking even busier, with more than 28m tourists anticipated, pumping £6bn into the capital's economy.

The London Tourist Board wants more, but there are already signs that the pressure of tourists, at least at certain times of the year and in certain locations, is causing strain and stress. Trevor Nunn's outburst was just an expression of the feeling that London is becoming clogged.

Mr Neil MacGregor, the director of the National Gallery, whose Trafalgar Square building is hemmed in by tourists spilling over its narrow exterior pavement, speaks for many. "It is not the number of tourists. By tiny adaptations we can cope with more visitors. It is the lack of a transport policy for London; a public space policy for London, that causes the problems."

London is notorious for being a world capital without a mayor. The absence of a powerful figure to represent, and oversee, the whole



Trading upmarket: bargain-hunters at Camden Lock

city creates a feeling of malaise, of irresponsibility. London faces a crossroads: some modest changes would make life more enjoyable for the current number of visitors and enable more to be happily absorbed.

Modest changes are under way. The National Gallery processes 4.6m visitors a year by opening later on Wednesday evenings and earlier on Sundays. But this hardly improves its immediate environment. It is supporting with enthusiasm plans from Westminster Council, backed by English Heritage, for a pedestrianised area between the gallery and Trafalgar Square. There are also ambitions to pedestrianise Parliament Square, which fronts the Houses of Parliament and Westminster Abbey.

But pedestrianised areas can create their own problems. One of the insoluble ironies of tourism is that improving the environment attracts more visitors. Nearby Leicester Square has been softened up in recent years, with the result that it has become a passé for London. The crowds attract street entertainers and traders, who attract petty criminals. An area can go from happy throng to claustrophobic mess quite quickly.

If London suddenly seems overcrowded it is a tribute to its recent ability to push up visitor numbers. It is particularly appealing to younger tourists. There has been a pronounced loosening of controls by the authorities: more bars and clubs have late-night drinking licences. Warm summers have created a café society.

London has become a haven for the gay community. For the first time since the 1960s London is hip. This has turned Soho into one big party - with the consequence of unsightly rubbish strewn across the district by Sunday mornings.

Leicester Square and Soho can just about cope. Further north in Camden the strains are showing. Camden Town has become the greatest magnet in London for the young, attracting 10m visitors a year who cram into a short half-mile stretch of street from Camden station to Camden Lock to buy cheap clothes and ethnic curiosities.

Camden, which has just appointed its first tourism

director, has realised it is breeding a monster. The hope is that the traders will go slightly up-market, attracting fewer but freer-spending tourists.

Like other London boroughs it does not want to frighten away tourists. It wants to spread them around the year, and direct them to more sedate sites such as Kenwood House and the Sir John Soane Museum. London is rich in overlooked treasures - the Wallace Collection, Kensington Palace, Ham House, the Courtauld Institute - but tourists, with their cramped schedules, have an annoying habit of hunting in packs.

The problem of inadequate facilities to cope with increased numbers is particularly acute at the Tower of London, the capital's main heritage site, with 2.5m visitors a year and rising. "Squalid" and "sewer-like" are not Trevor Nunn's description of the environs of the Tower but those of its governor.

However, a £50m development project involving the Tower, local Tower Hamlets council, and private developers, is in train, which aims to smarten up the landscape, improve access, and fill the moat with water. Its achievement - like the plans for Trafalgar Square and Parliament Square, like the British Museum's scheme to improve the flow of its 6m visitors with the creation of a new Great Court, like the Tate Gallery's development of London's first museum of 20th century art on a revitalised Bankside, south of the Thames - depends on lottery funding.

London may lack the political will to improve its facilities and environment hut, thanks to the lottery, it has the cash.

There is, however, one London tourist attraction which is quite happy with crowds. Madame Tussauds is the main paying tourist attraction in London, with 2.7m visitors in 1995, 70 per cent of them from overseas.

They actually like to queue; anything less than an hour's wait cheats them of a battle honour to impress friends back home.

This is the fourth in a series on places changed by mass tourism.

Our new wider seats are so spacious you'll hardly notice anyone next to you.



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COMMENT & ANALYSIS

FINANCIAL TIMES

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Monday August 19 1996

Missed chance in Indonesia

When President Suharto of Indonesia delivered his state of the nation speech last week, he had a chance to address the critical issues currently facing his country. Jakarta has just seen its worst political violence in 20 years. There is also growing concern about the health of the 75-year-old president after 30 years in office, and the lack of an obvious successor to take over in the event of his demise.

The disturbances have unsettled foreign investors, on whose goodwill the country's prosperity depends. While the economy continues to expand at a rapid rate - by 8 per cent last year - there is a danger of overheating. The current account deficit is 3.3 per cent of GDP; foreign debt is more than \$100bn. It needs a steady inflow of foreign capital to finance that borrowing, not a crisis of political confidence.

Yet in his speech, Mr Suharto failed to produce any reassuring answers. On the political front, he flatly rejected calls for democratic reform. There was no case for the creation of new political forces, he said. The present three-party system, in which the ruling party faces two token opposition parties, was perfectly adequate. He simply dismissed the international anxiety by saying: "Political and economic stability have been restored."

Business empire

The middle classes, and Mr Suharto's vital allies in the military, not to mention foreign investors, are expressing growing resentment at the spread of his family's business empire. The tax concessions awarded to his son Hutomo Mandala Putra earlier this year, to develop a cheap "national car", were merely the latest example. That could become another factor in discouraging foreign investors, as it did in the dying days of the Marcos regime in the neighbouring Philippines.

If political confidence is to be restored, Mr Suharto needs to decide if he will run again as president in 1998. If he does not, he should begin a transparent process of selecting a successor, who must be acceptable to the military, in particular. He should also open a dialogue with the proliferation of non-governmental organisations calling for more democracy. These are respectable groups, not communist agitators. They should not be arrested.

Finally, if corruption is not to undermine the economic system, he must start to build an independent judiciary, which might restrain the worst excesses. That could be the most important reform of all.

Political crisis

Few would agree. Indeed, many observers would argue that Mr Suharto himself precipitated the latest political crisis, by engineering the dismissal of Ms Megawati Sukarnoputri as leader of one of the official opposition parties. Until that moment, she scarcely represented a serious threat. Now this motley and uncharismatic daughter of Sukarno, the country's first post-independence leader, has suddenly changed from being the leader of a puppet party to become a symbol of resistance.

Indonesia's stability and prosperity matter. This is the fourth most populous nation in the world, and an important destination for foreign investment.

Watchdogs learn to bite

This summer the regulators of all the large UK utilities have been baring their teeth, growling and showing a surprising turn of speed as they try to shepherd their charges towards the market. Not surprising, the companies dislike being herded in this direction. They show this in different ways: by trying to charge excessive prices for common services such as gas pipelines or the electricity grid, by setting obstructive conditions for new entrants, by exploiting the customer base to freeze out competitors or by failing to invest in systems to create a market.

Therefore the regulators have become much more interventionist and have taken wider powers than was envisaged when British Telecom was privatised 12 years ago. It was then hoped that the watchdogs would emerge from their kennels every five years to set price targets and bark infrequently between reviews.

Light regulation, it was argued, would motivate utilities to seek profits from greater efficiency. But, partly because of public pressures, the regulators were never so docile. Now it is clear that the laws under which they were established were deeply flawed, for two reasons.

First, the extent to which competition might help to curb prices and profits was grossly underestimated. British Gas, for example, was expected to continue as a benign private monopoly, serving the public interest as it had done before.

Stronger powers

For the task of encouraging competition, regulators also need stronger and more specific powers compared to the vague duties set out in present legislation. In telecoms and electricity the regulators are seeking a significantly harder bite on competition policy through changes in the utilities' licences. Welcome though this is, the method of achieving it shows that, in this sector, UK competition policy is in a mess.

Regulatory offices are small one-person bands, so they cannot be expected to be judge and jury of contentious competition issues for industries with a combined annual turnover of £50bn and assets of £240bn. Yet the Monopolies and Mergers Commission, with its relatively cumbersome procedures, is not well suited to dealing with industries with systemic monopoly properties. Hitherto, it has taken a case-by-case approach, with little regard for precedent or wider strategic questions.

A new balance is therefore needed to give the regulatory bodies, however structured, enforceable powers to promote competition. They also need to develop a clearer common view on how to regulate the parts which competition cannot reach. This will require a big upheaval, no doubt involving existing competition authorities. But the alternative is likely to be destructive ad hoc interference by politicians. The Labour party's proposals for a windfall tax shows the danger.

Detailed scrutiny

The second error was to believe that in setting prices regulators would be freed from that detailed scrutiny of the industry which US utility regulators find necessary in order to control profits. However, as recent reviews in the gas and water industries have shown, regulators cannot decide a price target without a close assessment of the monopoly's capital structure, its investment strategy, cost of capital and desired return. These are just the topics which cause dissension and lawsuits in the US. In the UK, there



From left to right
Massimo D'Alema,
Romano Prodi, Antonio Maccanico,
Carlo Ciampi, Lamberto Dini

Prodi's prima donnas

Italy's coalition has prospered, but ministers need to co-operate to pursue economic and political reform, says Robert Graham

If miracles can embrace the world of politics, then a minor one is occurring in Italy. The centre-left government of Mr Romano Prodi is approaching the landmark of 100 days in office without the whisperings of a crisis.

The summer break, when the silliest of rumours get blown out of all proportion, is passing in an atmosphere close to somnolence.

In a country where the average life of governments in the past two decades has been 11 months this is remarkable. The first 100 days is rarely a moment to assess achievements, and is usually the occasion to speculate on how long a government will last. The situation is all the more remarkable since this administration is a heterogeneous coalition dominated by the Party of the Democratic Left (PDS), heirs of the Communist party which was denied power throughout the post-war era.

Both Mr Prodi and Mr Massimo D'Alema, the PDS leader who is the real power behind the scenes, have deliberately sought to cool the confrontational atmosphere of the two previous Berlusconi and Dini governments. Also, Mr Prodi, who has had no previous direct experience of government, prefers a low-key approach to politics. Indeed, the 56-year-old economics professor seems to set little store by courting popularity.

Typical of his attitude was a comment made on the first day of his holiday while visiting a village in the Apennines. "I know full well the degree of difficulty that still exists between the citizens and the government of this country. For this reason, to be credible, this government must do more and talk less."

With little fanfare the government has got much of its electoral programme under way. It has embarked on an ambitious programme that already includes 133 draft laws, although parliament is still coping with a huge backlog of legislation.

So far the highest criticism of the Olive Tree alliance in government is that it has failed to take sufficient advantage of the vacuum created by a demoralised and disorientated opposition. Instead of exploiting the opposition's weakness, the government has been preoccupied with trying to achieve its own internal balance between the six main parties forming the alliance.

Mr Prodi finds himself awkwardly in the middle of two strands of opinion - the social democrat sentiment of the PDS representing the left, and the former Christian Democrats as the champions of compromise in the centre. He also has to accommodate the hardline members of the old Communist party who formed Reconstructed Communism (RC), which provides vital support to make up a majority in the lower house. He has not always succeeded in this balancing act.

But the financial markets, whose judgment has been so influential since the EU exchange crisis of September 1992, have retained an underlying confidence in the new government. "The start was slow but the opposition is weak and there has been nothing to undermine the market's sense of reasonable optimism," observed a Milan broker just before *ferragosto*, Italy's traditional summer shutdown. "Prodi will not be tested until the autumn; but he looks a dogged performer," he added.

The two policy areas given priority have been the economy and constitutional reform. Mr Prodi was faced with the immediate need of having to produce a package of corrective measures to hold this year's budget deficit to its target of 5.9 per cent of gross domestic product. The £16,000m (£7bn) austerity package was forced through parliament earlier this month just before the recess.

The mini-budget was conceived in the framework of a three-year macroeconomic programme to bring Italy's public finances in line with the convergence criteria for monetary union, as laid down in the Maastricht Treaty. While committed to take part in monetary union, the government has been realistic enough to accept that the budget deficit cannot be brought down to 3 per cent of GDP by the end of 1997.

By aiming to meet the target a year later, Mr Prodi and his ministers have incurred the criticism of Confindustria, the industrialists' confederation, and of Mr Mario Monti, one of Italy's two EU commissioners. But the centre-left coalition, aware of the social unrest provoked in France by trying to meet the budget deficit targets, has preferred a consensual approach to austerity, knowing it must accommodate an important part of its electoral base in the unions.

The Bank of Italy has lowered the discount rate as a sign of confidence in the direction of economic policy and declining inflation. The long-awaited rate cut to 8.25 per cent from 9 per cent in July is central to the virtuous circle the government hopes to set in motion. Given Italy's huge stock of debt (almost 125 per cent of GDP), every one percentage point fall in interest rates means a saving in debt servicing costs of something like £15,000m over 18 months - a saving which in turn lightens the budget deficit.

The other priority has been to forge an agreement with the rightwing opposition on constitutional reform, which was a key electoral issue for all parties. Mr D'Alema has managed to broker a deal with Mr Berlusconi to form a bicameral commission to prepare a set of proposals by June next year. The brief is very

wide: ranging from a review of the powers of the prime minister and president and the duplication of roles by the two houses of parliament to creating a more federal structure for the state.

Tackling these issues has overshadowed a long list of initiatives taken in almost every area by individual ministers. These range from raising the school leaving age to 16, streamlining the courts of justice and simplifying tax procedures to pressing ahead with the privatisation of the sensitive telecoms business, reforming the presentation of public accounts and cutting red tape in acquiring driving licences.

The quality and experience of the ministerial team has been crucial here. The cabinet includes two former prime ministers - Mr Carlo Azeglio Ciampi who heads the treasury and budget ministries, and Mr Lamberto Dini, at the foreign ministry; a former speaker of the chamber of deputies - Mr Giorgio Napolitano, the interior minister; a former treasury and foreign minister - Mr Beniamino Andreatta, with the defence portfolio; and Mr Antonio Maccanico, minister of post and telecommunications.

In fact the cabinet often acts like an orchestra full of prima-donnaish soloists. Although they play well alone they lack cohesion when obliged to perform together. The biggest prima donna is proving to be Mr Antonio Di Pietro, the public works minister and the former high-profile Milan investigative magistrate who likes to get his way by threatening to resign.

Mr Prodi is blamed for failing to conduct with sufficient authority. But the players are not really his; and though chosen to head the Olive Tree alliance when it was formed last year, he has no political base of his own. Life is made more difficult for the premier by the position of Mr D'Alema. In a normal democracy the

head of the main party winning an election would be expected to become prime minister. But because of a residual mistrust of the former communists, the PDS agreed that the premiership should be held by the more neutral figure of Mr Prodi. Mr D'Alema nevertheless monitors every action like a backseat driver and does not conceal his irritation when he feels the premier is mishandling matters.

Mr Prodi thus remains on trial, and the real challenge begins in September with the 1997 budget. It will not be easy to find the right mix of new fiscal measures and spending cuts against a backdrop of uncertain economic growth at home and abroad. Already this year's growth estimates have been revised sharply downwards to 1.5 per cent. If this falls any lower, it will have a serious effect on revenues and further complicate important wage negotiations postponed from July until the autumn.

The government also has to secure the co-operation of the opposition for the proper functioning of the constitutional reform commission. It will require at least two years to draw up and approve such reforms. This timetable is very long when the shape of alliances is still shifting. Thus government and opposition must be convinced that they can hold together before beginning this process in earnest.

Here the role of the populist Northern League could prove crucial. Mr Umberto Bossi, the astute League leader, is embarked on a dangerous course, promising to declare on September 15 the secession of Padania - an ill-defined area of the rich industrial north centred on the valley of the River Po. Unless common cause is made against Mr Bossi, he could unravel the government and sabotage constitutional reforms.

OBSERVER

Midas touch in reverse

■ Is Kazakhstan's Yaslikovskoye gold mine fixed? The Kazakhs reckon it has proven reserves of 400 tonnes - worth about \$5bn - but those international mining companies who have sniffed around have simply got burnt.

In 1996 the Australian company Dominion Mining thought it had an exclusive deal to exploit the mine, only to find others had been invited to the party, including RTZ of the UK, Australia's BHP and Western Mining and Canada's Placer Dome.

The Kazakhs gave Placer Dome the cherry. Placer paid \$55m to the Kazakh government - should have used an escrow account, boys - for the right to begin investigations. The contract said if Placer decided not to go ahead, the \$55m would be returned. Placer pulled out in September; the deadline for the return of the cash - July 4 this year - passed without a cent from the Kazakhs.

Now the latest bidders - a consortium led by Robert Friedland and including Teck and First Dynasty Mines (both of Vancouver) and the London-based Bakyrchik Gold - also seem to have thought better of it.

French fringes

■ The French government has recently created so many "observatoires" to investigate problems that the *Casualty Exchange* newspaper suggests establishing a new *observatoire des observatoires* - to keep an eye on all the others.

Now another observatoire kicks off, this time looking into the growing national preoccupation with cuts. President Jacques Chirac has nominated to head it someone who stands little chance of being seduced by the weird.

Baron Antoine Guerrier de Dumast, the husband of Marie-José de Carboneires de Saint-Brice, fought during the Algerian civil war, has advised top civil servants in France's former colonial territories, and was most recently in charge of security on the frequently bombed island of Corsica.

The Baron's brief will probably not include studying the Order of Malta. This

Playing around

■ Has the Vienna Philharmonic, which only a few weeks ago seemed to be stubbornly resisting letting in women, changed its tune? Austrian TV reported last week that, after more than 150 years, Austria's most famous men-only club was going to let women join its band.

Could this be true? The purveyors of the world famous "Vienna Sound" are an old bunch. Unlike most world-class orchestras they have no leader. New recruits are vetted in secret and until now women have been blackballed. There have been exceptions: Anna Leskes was employed as a harpist in 1870 - because no one else was up to the job. But it was another 25 years before she got her name in the programme.

The orchestra has always said that allowing women to join would threaten its artistic standards. Who knows what effect the sight of the second viola's shapely ankles might have on the performance of the man behind the kettledrums?

Fred's logic

■ Bill attempts to teach Fred the art of logic, via the age-old method of question and answer. Bill: "Do you have a lawnmower?" Fred: "Yes." Bill: "That means you have a lawn?" Fred: "Yes." Bill: "Therefore a house?" Fred: "Yes." Bill: "And a wife and children?" Fred: "Yes." Bill: "Thus it is clear you are a heterosexual."

Fred decides to put this new skill into practice by tutoring Dick. Fred: "Do you have a lawnmower?" Dick: "No." Fred: "Ah, that means you are a homosexual..."

100 years ago

Bondholders' Misfortunes
The report of the council of Foreign Bondholders contains a mass of valuable information, particularly with regard to the finances of the South American States... "It is a sad fact that out of the seventy years that have elapsed since Ecuador first began to borrow money the service of her External Debt has been in suspense for fifty-four years." In 1896 the bondholders accepted a reduction in interest, and it was thought that at the cost of a considerable sacrifice, some permanent basis of settlement had been reached. Alas, no! A revolution was engineered, the Government was defeated, and in March last the new authorities once more suspended the service of the debt...

50 years ago

British Films at Highest Level
British films now stand at the highest level, states the annual report of the British Film Producers Association for 1945-46, and it only remains for their numbers to be increased so that they become a world force in entertainment.

Increasing competition, it is pointed out, must be expected from America. This country is urged to look more to overseas markets, and particularly to the dominions and colonies, for more screen time.

"In a free market, profit is society's reward for those who serve its interests."

Carmaker faces court action if it uses funds Brussels warns VW over \$60m state aid

By Peter Norman in Bonn

The European Commission has threatened to sue Volkswagen, the carmaker at the centre of a state aid row, from breaching the public contracts it spends nearly DM50m (€31.4m) of disputed subsidies received from the German state of Saxony.

ments in the state. The commission blocked DM240m of the planned aid in June and has complained that payment of a DM142m instalment by Saxony to the carmaker this year was DM90.7m above the level allowed.

"found it so easy to blackmail" the state's politicians into providing aid by threatening to withdraw from its projects in eastern Germany. "If the group won't invest more in eastern Germany, it must pay back already approved subsidies worth some hundreds of millions of D-Marks. VW would then be worse off than if it had accepted the commission's ruling."

Russia tries to reinforce Chechen ceasefire

By John Thornhill in Moscow

Russian and Chechen negotiators tried at the weekend to reinforce the fragile ceasefire agreement in the face of mutual accusations of bad faith. A shaky truce also seemed to be holding among Russia's fractious politicians as president Boris Yeltsin appeared to back Gen Anatoly Kulikov, the interior minister, who was last week subjected to a fierce assault by Mr Alexander Lebed, national security adviser.

THE LEX COLUMN

Electronic blockbusters

Many see the consumer electronics industry's recent history as an eddy in the next killer application. Nothing has come along since the video cassette recorder and the compact disc, it is often said. Hence the high hopes for the digital video disc, a sort of cross between a VCR and a CD - but also the anxiety caused by the troubled birth.



James Cook of Philips

There is, though, another interpretation of what has happened: several highly successful products - notably the personal computer and the mobile phone - have been developed, but the old-style consumer electronics groups such as Matsushita, Sony, Philips and Thomson have not made much money out of them.

a theological dispute. In reality, there will probably be markets for single-function appliances, multi-purpose devices and gadgets that can do a few things but not everything.

That does not mean everybody will be a winner. The key to success will be working out exactly which combinations of functions will make the most products. Designing chic and easy-to-use devices will also be essential. Those who develop clever hardware - whether it is foldable plastic screens or voice recognition technology allowing consumers to talk to their appliances - can expect rich pickings.

Currency intervention

First it was the end of history. Then the death of inflation. Now traders are proclaiming the demise of market volatility. It is all rather ironic. Eighteen months ago, with the dollar in seemingly relentless decline, central bankers were the clowns of the financial markets.

Both views are too extreme. But traders who lament quiet markets are not hallucinating. It is more than a year since central banks last intervened together to move the dollar. You have to go back to 1987 to find a longer period of absence by the world's exchange rate guardians.

vergent economies. Inflation is low in leading economies, and external imbalances much smaller than in the past. There is less need for exchange rate adjustment in the case of Europe. Tighter trading ranges are the result of investors positioning themselves for EMU, not central bank alchemy.

There have also been changes. Central banks are carrier in their intervention tactics, while new instruments, such as options, affect how prices behave. The market is bigger, and so less easily moved, while investors have more options for expressing their views outside the foreign exchange. But we have not seen the end of volatility. So long as annual April periods, markets will overreact, and central banks will respond. The death of intervention is not upon us.

Pulp & paper

Profits at Europe's top 16 paper companies are expected to fall by nearly 50 per cent in 1996, yet many of their share prices have risen 20 per cent or more this year. Investors have been buying in the belief that the pulp cycle has turned. This would allow producers to force through price increases for many paper grades this autumn, leading to a rebound in earnings of up to 25 per cent in 1997.

It looks a distinctly optimistic scenario, a point made last week by Mr Juhani Niemela, chief executive of UPM-Kymmene of Finland, Europe's largest forestry products group. Not once in the past 50 years has a downturn in the paper industry been confined to a single year.

True, pulp inventories have fallen back to near normal levels and the pulp price has risen sharply since June. But inventories are already climbing again. Unless producers take downward steps in their mills, which they are loathe to do, the price could rapidly fall back again. Without a strong pulp price, it will be difficult to push through price increases in fine paper and corrugated casing which are planned for September. European producers had also been pointing to fine-paper price rises in the US as justification. But after holding firm for six months, prices there have collapsed since June.

Microsoft admits to flaw in latest Internet package

By Tom Foreman in San Francisco and Paul Taylor in London

Microsoft, the US software giant, has admitted that there is a "bug" in the latest version of its Internet Explorer software. The admission came on the eve of the launch of Netscape Navigator 3, the rival offering from Netscape Communications.

Internet Explorer 3.0 days after its launch is an embarrassment for Microsoft, the world's largest software company, which is locked in a battle with Netscape, a California-based company which has pioneered the development of powerful, easy-to-use Web browsing packages and which has a 70 per cent share of the market.

Microsoft said it is working on a solution which it will "post" on the Internet to enable users of Internet Explorer 3.0 to update their software.

Bread riots

Continued from Page 1

tribal grievances by changes to voting procedures in the 1993 elections.

Lloyd's fails to win help

Continued from Page 1

should be heard in the US - dealing a blow to Lloyd's hopes that they could be heard in the UK.

devastating effects on California's insurance market.

Lloyd's is refusing to say how many Names have accepted the plan so far, but is stepping up efforts to build support, including newspaper advertisements this week reminding Names about the August 28 deadline.

FT WEATHER GUIDE

Europe today

A large part of Europe will have widespread sunshine and scattered cloud with temperatures ranging from 25C to 30C. Thunderstorms will develop over the Pyrenees, the Alps and the Balkans.

Five-day forecast

Thunderstorms and rain will affect western Europe as cooler air moves in from the west.

Maximum	Beijing	18	Chicago	18	Firo	28	Madrid	28	Rangoon	18
Minimum	Beijing	10	Chicago	10	Frankfurt	22	Madrid	22	Rangoon	13
	Beijing	21	Chicago	21	Geneva	24	Manila	27	Rangoon	28
	Beijing	22	Chicago	22	Hamburg	24	Manila	27	Rangoon	29
	Beijing	23	Chicago	23	Hong Kong	29	Manila	27	Rangoon	30
	Beijing	24	Chicago	24	Hong Kong	29	Manila	27	Rangoon	31
	Beijing	25	Chicago	25	Hong Kong	29	Manila	27	Rangoon	32
	Beijing	26	Chicago	26	Hong Kong	29	Manila	27	Rangoon	33
	Beijing	27	Chicago	27	Hong Kong	29	Manila	27	Rangoon	34
	Beijing	28	Chicago	28	Hong Kong	29	Manila	27	Rangoon	35
	Beijing	29	Chicago	29	Hong Kong	29	Manila	27	Rangoon	36
	Beijing	30	Chicago	30	Hong Kong	29	Manila	27	Rangoon	37

Lufthansa

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August 1996

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